SENATE

WEDNESDAY, *February 16, 1927*

(Legislative day of Tuesday, February 15, 1927)

The Senate reassembled at 12 o'clock meridian, on the expiration of the recess.

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Frazier	McKellar	Sheppard
Bayard	George	McLean	Shipstead
Bingham	Gerry	McMaster	Shortridge
Blease	Gillett	McNary	Simmons
Borah	Glass	Mayfield	Smith
Bratton	Goff	Means	Smoot
Broussard	Gooding	Metcalf	Steck
Bruce	Gould	Moses	Stephens
Cameron	Greene	Neely	Stewart
Capper	Hale	Norris	Swanson
Caraway	Harreld	Nye	Trammell
Copeland	Harris	Oddie	Tyson
Couzens	Harrison	Overman	Underwood
Curtis	Hawes	Phipps	Wadsworth
Dale	Heflin	Pine	Walsh, Mass.
Deneen	Howell	Pittman	Walsh, Mont.
Dill	Johnson	Ransdell	Warren
Edge	Jones, Wash.	Reed, Pa.	Watson
Edwards	Kendrick	Robinson, Ark.	Wheeler
Ernst	Keyes	Robinson, Ind.	Willis
Fess	La Follette	Sackett	
Fletcher	Lenroot	Schall	

Mr. ODDIE. Mr. President, I wish to announce that the Senator from Oregon [Mr. STANFIELD] is engaged as a member of a subcommittee of the Committee on Public Lands and Surveys.

The VICE PRESIDENT. Eighty-six Senators having answered to their names, a quorum is present. The Senate will receive a message from the House of Representatives.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had passed a joint resolution (H. J. Res. 359) making an appropriation for the eradication or control of the European corn borer, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the amendment of the Senate to the bill (H. R. 11803) to authorize the incorporated town of Juneau, Alaska, to issue bonds for the construction and equipment of schools therein, and for other purposes.

DISPOSITION OF USELESS PAPERS

The VICE PRESIDENT laid before the Senate a communication from the Acting Secretary of Commerce, reporting, pursuant to law, that there is in that department an accumulation of documents and files of papers which are not needed or useful in the transaction of current business and have no historic value, and asking for action looking to their disposition, which was referred to a Joint Select Committee on the Disposition of Useless Papers in the Executive Departments.

The VICE PRESIDENT appointed Mr. JONES of Washington and Mr. FLETCHER members of the committee on the part of the Senate.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint memorial of the Legislature of the State of Oregon, which was ordered to lie on the table:

STATE OF OREGON, DEPARTMENT OF STATE,
Salem, February 8, 1927.

To the honorable the SENATE OF THE UNITED STATES,
Washington, D. C.

DEAR SIRS: By direction of the Thirty-fourth Legislative Assembly of the State of Oregon, I have the honor to transmit herewith for your information certified copy of House Joint Memorial No. 5, filed in the office of the secretary of state of the State of Oregon February 7, 1927.

Very respectfully, SAM A. KOZER, *Secretary of State.*

House Joint Memorial 5

To the Senate and House of Representatives of Congress of the United States of America:

Your memorialist, the Legislature of the State of Oregon, respectfully represents that—

Whereas the United States has established and maintains by law a system of protection which industry and labor makes effective through their organization, and through controlled production and supply; and

Whereas the entire land and agricultural policy of the United States has been aimed to secure maximum agricultural production, with a result that there is produced annually a normal surplus for export of fundamental crops; and it is physically impossible for agriculture to forecast or accurately control production, thus eliminating the surplus above domestic needs; and

Whereas the sale of such normal surplus in the world market establishes the domestic price at world levels, making inoperative tariff schedules intended to protect an American price for that portion of the crop consumed at home; and

Whereas the present improved price of some of the products of the farm is due to world shortages, and does not permanently remove the disparity between the rewards of agriculture and of industry and labor under our protective system; and

Whereas it is vitally important to assure to agriculture, the basic American industry, a fair share of the national wealth by promoting parity for farming with industry and labor; and to prevent recurrence of the disastrous spread between farm and other prices that is fatal to general or permanent national prosperity: Therefore, be it

Resolved by the House of Representatives of the State of Oregon, the Senate jointly concurring therein, That it urges the enactment by the Congress of the United States of legislation creating a farmers' export corporation to dispose of the normal surplus of basic farm commodities at the expense of all producers of such crop, in order that tariff schedules may be made effective in maintaining an American price for agriculture in our own domestic markets; be it further

Resolved, That a copy of this memorial be forwarded to the Senate and House of Representatives of the United States, and to each of the Senators and Representatives from Oregon in Congress.

Adopted by the house February 2, 1927.

JOHN H. CARKIN,
Speaker of the House.

Adopted by the senate February 4, 1927.

HENRY L. CORBETT,
President of the Senate.

[Indorsed: House joint memorial No. 5. Introduced by Messrs. Snell, Tom, and Senator Mann. Paul F. Burris, chief clerk. Filed February 7, 1927. Sam A. Kozer, secretary of state.]

UNITED STATES OF AMERICA, STATE OF OREGON,
OFFICE OF THE SECRETARY OF STATE.

I, Sam A. Kozer, secretary of state of the State of Oregon, and custodian of the seal of said State, do hereby certify that I have carefully compared the annexed copy of house joint memorial No. 5 with the original thereof adopted by the Senate and House of Representatives of the Thirty-fourth Legislative Assembly of the State of Oregon and filed in the office of the secretary of state of the State of Oregon, February 7, 1927, and that the same is a full, true, and complete transcript therefrom and of the whole thereof, together with all indorsements thereon.

In testimony whereof I have hereunto set my hand and affixed hereto the seal of the State of Oregon.

Done at the capitol at Salem, Oreg., this 7th day of February, A. D. 1927.

[SEAL.] SAM A. KOZER, *Secretary of State.*

The VICE PRESIDENT also laid before the Senate a concurrent resolution adopted by the Legislature of the State of Utah, favoring the passage at this session of Congress of the bill (S. 5454) authorizing the establishment of a migratory bird refuge at Bear River Bay, Great Salt Lake, Utah, in order that the proposed reclamation work may be undertaken at once, etc., which was ordered to lie on the table.

(See similar resolution when presented by Mr. SMOOT on February 14, 1927, p. 3632, CONGRESSIONAL RECORD.)

The VICE PRESIDENT also laid before the Senate a resolution of the Legislature of the State of Illinois, favoring the enactment of legislation giving to disabled emergency officers of the Army during the World War the same retirement privileges now accorded disabled officers of the Regular Army and disabled emergency officers of the Navy and Marine Corps, which was ordered to lie on the table.

(A similar resolution was recently printed in full in the RECORD.)

Mr. SIMMONS presented the following concurrent resolution of the Legislature of the State of North Carolina, which was referred to the Committee on Agriculture and Forestry:

Resolution 13

Resolved by the house of representatives (the senate concurring), That the Congress of the United States be requested to enact legislation providing that hydroelectric power generated at Muscle Shoals, Ala., and other sites controlled by the United States be made available for general distribution to the public under appropriate regulation by the States.

Whereas there are pending before Congress certain bills providing for the lease and private operation of the Muscle Shoals power plant as an aid to the national defense, the production of fertilizer, and the use of electric power; and

Whereas a recent bill has been introduced which, if enacted into law, would grant to one private industrial operator the complete control of the entire electric-power output, not only from Muscle Shoals but from two other large power projects, to be constructed by the Government on the Tennessee River and some of its tributaries, and preferential permits to build three other projects for private use; and

Whereas the general distribution of electric power over transmission lines constructed and being constructed to and from North Carolina, through South Carolina, Georgia, Tennessee, Arkansas, and other southern States, is vitally important to the industrial development of the South, which would be seriously retarded if the bill above referred to or any similar bill should be approved by Congress; and

Whereas during the drought which prevailed in this State during the summer and autumn of 1925, which threatened the suspension of many industries, the large steam plant of the United States at Muscle Shoals was put into operation, and by means of interconnection and relays power was transmitted to North Carolina and other southern States and thereby made possible the continuous operation of industries and employment of labor: Now, therefore, be it

Resolved by the General Assembly of North Carolina:

SECTION 1. That Congress be, and is hereby, memorialized to safeguard the interests of the people of North Carolina and of other States likewise situated by providing that all power at Muscle Shoals, beyond the requirements for national defense and fertilizer production, and also power to be developed by the United States at other power sites in the South, be made available for general distribution to the public in North Carolina and other States under appropriate regulations by the States.

SEC. 2. Be it further resolved that the secretary of state transmit by mail a true copy of this resolution to the President of the United States, the Vice President of the United States for the information of the Senate, to the Speaker of the House of Representatives, to the chairman of the Committee on Military Affairs of the House, to the chairman of the Committee on Agriculture of the Senate, and to the Senators and Members of the Congress from the State of North Carolina.

In the general assembly read three times and ratified this, the 12th day of February, 1927.

J. E. FRED LONG,
President of the Senate.
R. T. FOUNTAIN,
Speaker of the House of Representatives.

Examined and found correct.

L. F. KLUTZ, *for Committee.*

STATE OF NORTH CAROLINA,
DEPARTMENT OF STATE.

I, W. N. Everett, secretary of state of the State of North Carolina, do hereby certify the foregoing and attached (two sheets) to be a true copy from the records of this office.

In witness whereof I have hereunto set my hand and affixed my official seal.

Done in office at Raleigh this 15th day of February, in the year of our Lord 1927.

[SEAL.]

W. N. EVERETT,
Secretary of State.

Mr. SMOOT presented a telegram from the Citizens Committee of One Thousand, signed by Frederick B. Smith, chairman, and Carlton M. Sherwood, executive secretary, of New York City, N. Y., which was ordered to lie on the table and to be printed in the RECORD, as follows:

NEW YORK, N. Y., *February 16, 1927.*

Hon. REED SMOOT,
United States Senate Chamber, Washington, D. C.:

The executive committee of the Citizens Committee of One Thousand, at its meeting to-night, adopted the following statement and are sending this to you with the request that it be presented to the Senate:

"The Treasury Department has called upon Congress to pass a reorganization bill to secure more effective enforcement of the eighteenth amendment. That bill was passed by the House of Representatives, and it has been on the Senate Calendar for many months. In his annual message President Coolidge urged the passage of this bill as necessary to secure efficient enforcement. There is an overwhelming majority of the Senate in favor of the passage of this bill, but it has been openly declared on the floor of the Senate that a vote on the bill will be prevented if possible. The Senate has secured consideration of farm and banking legislation and provided for a vote thereon: Therefore

"*Resolved*, That we request the friends of law enforcement in the Senate to demand fair and prompt consideration of the reorganization bill, and, if it becomes necessary, to apply cloture rule in order that a vote may be had upon the passage of this law enforcement measure, and that responsibility for its passage or defeat may be properly placed."

CITIZENS COMMITTEE OF ONE THOUSAND,
FREDERICK B. SMITH, *Chairman,*
CARLTON M. SHERWOOD, *Executive Secretary.*

Mr. WADSWORTH presented a letter in the nature of a petition signed by the commander and vice commanders of Saranac Lake Chapter, No. 18, Disabled American Veterans of the World War, at Saranac Lake, N. Y., praying for the passage of legislation rescinding that section of existing law which will reduce the compensation of hospitalized veterans, without dependents, from $80 to $40 per month on July 1, next, which was referred to the Committee on Finance.

Mr. ERNST presented memorials of sundry citizens of the State of Kentucky, remonstrating against the passage of the bill (S. 4821) to provide for the closing of barber shops in the District of Columbia on Sunday, or any other legislation religious in character, which were referred to the Committee on the District of Columbia.

Mr. DENEEN presented petitions numerously signed by sundry citizens of Chicago and vicinity, in the State of Illinois, praying for the prompt passage of legislation granting increased pensions to Civil War veterans and their widows, and for the removal of the limitation on the date of marriage of Civil War widows, which were referred to the Committee on Pensions.

Mr. GILLETT presented petitions numerously signed by sundry citizens of the State of Massachusetts, praying for the prompt passage of legislation granting increased pensions to Civil War veterans and their widows, which were referred to the Committee on Pensions.

Mr. COPELAND presented a petition of sundry citizens of Kings County, N. Y., praying for the prompt passage of legislation granting increased pensions to Civil War veterans and their widows, which was referred to the Committee on Pensions.

Mr. WILLIS presented a petition of sundry citizens of Hamilton County, Ohio, praying for the prompt passage of legislation granting increased pensions to Civil War veterans and their widows, which was referred to the Committee on Pensions.

He also presented a memorial of sundry citizens of Swanton, Toledo, and Delta, all in the State of Ohio, remonstrating against the passage of legislation providing for compulsory Sunday observance in the District of Columbia, or any other legislation religious in character, which was referred to the Committee on the District of Columbia.

He also presented a memorial of sundry citizens of Van Wert County, Ohio, remonstrating against the passage of the bill (S. 4821) to provide for the closing of barber shops in the District of Columbia on Sunday, or any other legislation religious in character, which was referred to the Committee on the District of Columbia.

He also presented a petition of sundry citizens of Edgerton, Ohio, praying for the prompt passage of legislation regulating radio communications, which was ordered to lie on the table.

Mr. BINGHAM presented petitions and papers in the nature of petitions from Emerson H. Liscum Camp, No. 12, Department of Connecticut, United Spanish War Veterans of Waterbury; Murphy-Rathbun Post, No. 189, Veterans of Foreign Wars, of New London; and of sundry citizens, all in the State of Connecticut, praying for the prompt passage of legislation granting increased pensions to Civil War veterans and their widows, which were referred to the Committee on Pensions.

He also presented a resolution of the trade and commerce committee of the Connecticut Chamber of Commerce, at Hartford, Conn., favoring the passage of House bill 8997, to permit the importation of Cuban cigars into the United States in lots of less than 3,000, which was referred to the Committee on Post Offices and Post Roads.

He also presented a resolution adopted by the New Haven (Conn.) Association of Credit Men, favoring the passage of the McFadden national banking bill, as amended by the Senate, without the so-called Hull amendments, which was ordered to lie on the table.

He also presented a resolution adopted by the Thompsonville (Conn.) Board of Trade, protesting against the passage of legislation providing for the compulsory adoption of the metric system of weights and measures, which was referred to the Committee on Commerce.

He also presented a resolution of the board of directors of the Connecticut Reformatory, at Cheshire, Conn., protesting against the passage of House bill 8653, relative to the sale of prison-made goods in interstate commerce, which was referred to the Committee on Interstate Commerce.

He also presented a resolution adopted by the Brotherhood of the Emanuel Synagogue, of Hartford, Conn., "solemnly protesting against the mob violence, persecution, and bloodshed perpetrated in Rumania against citizens and residents of the Jewish and other minority peoples, in flagrant violation of the treaty rights signed by the Rumanian Government, and contrary to all human consideration of justice," and appealing to the American people, the President, and the Congress of the United States to use their moral influence to help put an end to such alleged atrocities, which was referred to the Committee on Foreign Relations.

REPORTS OF COMMITTEES

Mr. CARAWAY, from the Committee on Claims, to which was referred the bill (S. 3570) for the relief of O. H. Chrisp, reported it with an amendment and submitted a report (No. 1494) thereon.

Mr. SHORTRIDGE, from the Committee on Foreign Relations, to which was referred the bill (S. 5078) authorizing Edward J. Henning, United States district judge for the southern district of California, to accept the decoration and diploma tendered to him by His Majesty the King of Italy, reported it without amendment.

Mr. COPELAND, from the Committee on the District of Columbia, to which was referred the bill (S. 5533) to regulate the height and exterior design and construction of public and private buildings in the National Capital fronting on or located within 200 feet of a public building or public park, reported it with an amendment and submitted a report (No. 1495) thereon.

Mr. ODDIE, from the Committee on Post Offices and Post Roads, to which was referred the bill (S. 5031) to provide for the creation of the Pan American Peoples Great Highway Commission, and for other purposes, reported it without amendment and submitted a report (No. 1498) thereon.

BUILDINGS FOR THE BOTANIC GARDEN

Mr. FESS. From the Committee on the Library I report back favorably without amendment the bill (S. 5722) to authorize the construction of new conservatories and other necessary buildings for the United States Botanic Garden, and I ask unanimous consent for its present consideration.

There being no objection, the bill was considered as in Committee of the Whole and it was read, as follows:

Be it enacted, etc., That the Architect of the Capitol, under the direction and supervision of the Joint Committee on the Library, is authorized and directed to provide for the construction of new conservatories and other necessary buildings for the United States Botanic Garden, in accordance with the report submitted to Congress pursuant to paragraph (4) of section 1 of the act entitled "An act to provide for enlarging and relocating the United States Botanic Garden, and for other purposes," approved January 5, 1927. The Architect of the Capitol is authorized to enter into such contracts in the open market, to make such expenditures (including expenditures for material, supplies, equipment, accessories, advertising, travel, and subsistence), and to employ such professional and other assistants, without regard to the provisions of section 35 of the public buildings omnibus act, approved June 25, 1910, as amended, as may be necessary to carry out the provisions of this act.

SEC. 2. There is hereby authorized to be appropriated the sum of $876,398, or so much thereof as may be necessary, to carry out the provisions of this act. Appropriations made under authority of this act or under authority of section 2 of such act of January 5, 1927, shall be disbursed by the disbursing officer of the Library of Congress.

The bill was reported to the Senate without amendment, ordered to be engrossed for a third reading, read the third time, and passed.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. WATSON:

A bill (S. 5730) to regulate interstate commerce by motor vehicles operating as common carriers on the public highways; to the Committee on Interstate Commerce.

By Mr. BRATTON:

A bill (S. 5731) to amend an act approved May 10, 1926, entitled "An act to provide for the condemnation of the lands of the Pueblo Indians in New Mexico for public purposes, and making the laws of the State of New Mexico applicable in such proceedings"; to the Committee on Indian Affairs.

By Mr. CAPPER:

A bill (S. 5732) to amend an act entitled "An act to authorize the Commissioners of the District of Columbia to close certain streets, roads, or highways in the District of Columbia rendered useless or unnecessary by reason of the opening, extension, widening, or straightening, in accordance with the highway plan, of other streets, roads, or highways in the District of Columbia, and for other purposes"; to the Committee on the District of Columbia.

By Mr. SHIPSTEAD:

A bill (S. 5733) to extend the time for constructing a bridge across the Rainy River, approximately midway between the village of Spooner, in the county of Lake of the Woods, State of Minnesota, and the village of Rainy River, Province of Ontario, Canada; to the Committee on Commerce.

By Mr. WADSWORTH:

A bill (S. 5734) to provide for the policing of military roads leading out of the District of Columbia; to the Committee on Military Affairs.

By Mr. MOSES:

A bill (S. 5735) granting an increase of pension to Olive Lunn (with accompanying papers); to the Committee on Pensions.

By Mr. DALE:

A bill (S. 5736) granting an increase of pension to Jane Morris (with accompanying papers); to the Committee on Pensions.

By Mr. JOHNSON:

A bill (S. 5737) to provide for the advancement on the retired list of the Navy of Lloyd Lafot; to the Committee on Naval Affairs.

By Mr. ROBINSON of Indiana:

A bill (S. 5738) granting travel pay and other allowances to certain soldiers of the Spanish-American War and the Philippine insurrection who were discharged in the Philippines; to the Committee on Military Affairs.

By Mr. SHORTRIDGE:

A bill (S. 5739) for the relief of Thomas M. Ross; to the Committee on Military Affairs.

A bill (S. 5740) granting a pension to Clarinda Mason Smith; and

A bill (S. 5741) granting an increase of pension to Elizabeth Forsyth; to the Committee on Pensions.

By Mr. WHEELER:

A bill (S. 5742) granting a pension to Cecilia E. Doty; to the Committee on Pensions.

By Mr. COPELAND:

A bill (S. 5743) granting an increase of pension to Gertrude De Wolf Windsor; to the Committee on Pensions.

By Mr. SIMMONS:

A bill (S. 5744) authorizing the Secretary of the Treasury to sell certain land to the First Baptist Church of Oxford, N. C. (with accompanying papers); to the Committee on Public Buildings and Grounds.

By Mr. CAPPER:

A bill (S. 5745) to amend Public Law No. 254, approved June 20, 1906, known as the organic school law, so as to relieve individual members of the board of education of personal liability for acts of the board; to the Committee on the District of Columbia.

By Mr. COUZENS:

A bill (S. 5746) granting a pension to Mary E. Hilton; to the Committee on Pensions.

HOUSE JOINT RESOLUTION REFERRED

The joint resolution (H. J. Res. 359) making an appropriation for the eradication or control of the European corn borer was read twice by its title and referred to the Committee on Appropriations.

ADJUSTMENT OF ACCOUNT OF THE STATE OF NEW YORK

Mr. OVERMAN submitted an amendment intended to be proposed by him to the joint resolution (H. J. Res. 207) directing the Comptroller General of the United States to correct an error made in the adjustment of the account between the State of New York and the United States, adjusted under the authority contained in the act of February 24, 1905 (33 Stat. L. p. 777), and appropriated for in the deficiency act of February 27, 1906, which was referred to the Committee on the Judiciary and ordered to be printed.

OIL LANDS AND CONCESSIONS IN MEXICO (S. DOC. NO. 210)

The VICE PRESIDENT laid before the Senate the following message from the President of the United States, which was read, and, with the accompanying report (in response to S. Res. 330, submitted by Mr. NORRIS), ordered to lie on the table and to be printed:

To the Senate:

I transmit herewith the report from the Secretary of State in response to the resolution adopted by the Senate on February 3, 1927, requesting to be furnished with certain information respecting oil holdings in Mexico.

CALVIN COOLIDGE.

THE WHITE HOUSE, *February 16, 1927.*

THE WORLD'S INORGANIC NITROGEN INDUSTRY (S. DOC. NO. 211), REVISED OFFER FOR MUSCLE SHOALS (S. DOC. NO. 209)

Mr. DENEEN. I ask unanimous consent to have published as a document an article by Mr. F. A. Ernst and Mr. M. S. Sherman, of the fixed nitrogen research laboratory, Bureau of Soils, which is published in the RECORD of the 9th instant. I also ask unanimous consent to have published in the RECORD and as a public document an article by Mr. O. C. Merrill on Muscle Shoals.

Mr. FESS. Is it not already printed?

Mr. DENEEN. It is printed, but I have asked to have it made a public document for circulation.

Mr. SMOOT. Mr. President, I do not know what the rule of the Joint Committee on Printing is now, but when I was chairman of that committee they had an agreement between the House and the Senate that wherever an article was printed in the RECORD it would not be printed as a public document, but if not in the RECORD they could print it as a public document. I do not know whether that rule applies now between the Senate and the House or not.

The PRESIDING OFFICER (Mr. GEORGE in the chair). The Senator from Illinois is asking unanimous consent that these two articles be printed as public documents.

Mr. SMOOT. I understand that they have already been printed in the RECORD.

Mr. DENEEN. One of them has been printed in the RECORD and the other one has not. One is short.

Mr. SMOOT. I do not want to object. I simply want to make that statement, so that if the question comes up hereafter the RECORD will show that the matter was called to the attention of the Senate.

Mr. ROBINSON of Arkansas. Mr. President, I think it would be convenient to have these articles printed in the form of public documents. I hope there will be no objection.

Mr. SMOOT. I have not any objection.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter ordered to be printed in the RECORD is as follows:

FEBRUARY 10, 1927.

Memorandum on Air Nitrates Corporation and American Cyanamid Co. revised offer for Muscle Shoals, H. R. 16614

RÉSUMÉ

The joint proposal of Air Nitrates Corporation and American Cyanamid Co., prospective lessee of existing and future properties of the United States at Muscle Shoals and at other points on the Tennessee and the Clinch Rivers, is embodied in H. R. 16614. The offer covers existing property of the United States built or acquired at a cost of $125,104,000 and of new property to be built by the United States and estimated to cost $77,300,000, or a total of over $200,000,000. Of this total, $133,000,000 represents power properties (exclusive of locks) and approximately $56,000,000 represents existing power properties.

The power projects when completed will have an installation of 1,220,000 horsepower, or 55 per cent of the total hydroelectric power now installed in the six Southern States of Alabama, Georgia, North and South Carolina, Tennessee, and Kentucky. They will have an average annual output of 4,490,000,000 kilowatt-hours, equivalent to 80 per cent of the total electrical energy, steam and hydro, produced in the above six States in 1926. It is estimated that the maximum probable requirement of electric energy for fertilizer production is 625,000,000 kilowatt-hours per annum, leaving for the lessee's own use over 3,800,000,000 kilowatt-hours of electric energy, or sixteen times the requirement for fertilizer production.

For the use of the Government properties existing and to be built it is proposed to pay, under certain limitations, 4 per cent per annum on the cost of such properties, a so-called "amortization" charge of $91,000 per annum, and a charge for maintenance and operation of dams and locks of $105,000 per annum. Because of the fact that only nominal payments are made during the first six years of the lease and that interest is paid on only a part of the existing and of the estimated future investment of the Government, the total of all payments made for interest, maintenance, and so-called "amortization" averages throughout the lease period only 2.6 per cent upon the investment of the United States in power properties, excluding all locks and navigation facilities. Nothing whatever is paid for the nitrate properties, which cost the United States $69,000,000.

Due to the small payments to the United States, and to the fact that the lessee is not to be held responsible for accumulation of reserves for replacement of property, the costs of electric energy under full operation of the properties will be less than 2 mills per kilowatt-hour, a figure that can not be approached anywhere else in the United States with the possible exception of Niagara. With this huge volume of cheap power, a considerable part of the cost of which would be paid by the United States, the two companies who make the proposal could establish an industrial dictatorship in the electrochemical field and put every competitor out of business.

The lessee's investment in power properties is limited to the cost of installing 80,000 horsepower of additional steam equipment in the Sheffield steam plant. This is estimated to cost $5,400,000. The lessee's investment in new nitrate plants and equipment will depend upon its ability to sell at a profit the nitrates produced. It is obligated to install equipment sufficient to produce fertilizers with a fixed nitrogen content of 10,000 tons. Its obligation to install additional equipment rests upon its ability to sell at a profit the entire output of the first unit. It is allowed to charge in the cost of fertilizer every item of cost connected with the construction and operation of the nitrate properties including each year 10 per cent of its own investment in new plant. The nitrate operations are intended to be distinct from the power operations, and will be self-supporting and profitable, provided fertilizers can be produced cheaply enough to be sold. The only concession which the corporations make with respect to production of fertilizers is to waive royalties on processes which they control.

The surplus power above the requirements of fertilizer production is subject to use or sale by the lessee. The fuel cost alone of steam power produced in the vicinity is 4 mills per kilowatt-hour. It is estimated that the power properties if charged with 6 per cent interest on investment and with proper depreciation charges, that is, if they were under commercial operation, could produce power at approximately 3 mills per kilowatt-hour, a figure which could not be equaled with any other combination of plants in the Tennessee Valley. Under such conditions the primary power has a value of at least 3.5 mills per kilowatt-hour. With 625,000,000 kilowatt-hours of primary power reserved for nitrate production, with the remainder valued at 3.5 mills per kilowatt-hour, and with secondary power taken at from 1 to 3 mills depending upon its proportion to the total, it is estimated that the lessee could earn an annual profit varying from a minimum of $1,650,000 to a maximum of $7,321,000 per annum, and that the average annual profit with the plants under full operation would be in excess of $7,000,000 on an investment of the lessee in power properties of only $5,400,000. These values would exist and would accrue to the benefit of the lessee whether the power were sold or used in the lessee's own industrial operations.

It is the apparent intention of the lessee to use all the power in excess of fertilizer requirements in electrochemical or other industrial processes owned by itself or by its allies or subsidiaries. Only in the event that it can not so use it will any part of this huge volume of power be available to other communities or industries throughout the South. The lessee has the sole power of disposition, and in making use or other disposal of the power it will be subject to no public regulation whatever.

Dam No. 2 with its installation increased to 610,000 horsepower and the Sheffield steam plant with its installation increased to 160,000 horsepower will together be capable of producing 2,477,000,000 kilowatt-hours per annum, of which 1,940,000,000, or 78 per cent, will be primary power. These increases in capacity would involve new expenditures of $8,285,000 by the United States and of $5,400,000 by the lessee. This energy would be produced at an average cost of 1.75 mills per kilowatt-hour for the total amount and of 2.25 mills, if primary power alone is considered. This amount of energy is four times the probable requirement for the maximum fertilizer production named in the proposal. Since fertilizer production is to be self-supporting, is to yield a profit of 8 per cent, and is to return in 10 years the lessee's investment in fertilizer-producing property, it would seem that a surplus of electric energy of over one and three-fourths billion kilowatt-hours per annum, having an average sale value of $2,800,000 per annum on an investment by the lessee of $5,400,000, and having this value because of the use of $65,000,000 of Government property at an average annual payment of 2.35 per cent, would be an adequate subsidy for the United States to pay in order to induce private capital to produce fertilizer at Muscle Shoals under restrictions limiting profits thereon to 8 per cent.

If to secure such private operation it is necessary to grant an additional subsidy of 2,000,000,000 kilowatt-hours, having an additional sale value of $4,400,000 per annum with an additional investment by the United States of $69,000,000, but with no additional investment or obligation upon the part of the lessee, it would seem time for the United States to abandon efforts in this direction and to proceed itself to operate Muscle Shoals. A few years of operation and experimentation on a commercial scale would demonstrate the possibilities of utilization of the nitrate properties and would put the Government into a position, if it then wished to dispose of the properties, where it could negotiate a business deal instead of sitting in on a poker game as at present.

A detailed analysis of some of the chief features of the proposal follows:

EXISTING PROPERTIES OF THE UNITED STATES COVERED BY OFFER

The offer covers all existing properties of the United States built or acquired in the vicinity of Muscle Shoals, with the exception of "the platinum catalyzers for use in the manufacture of nitric acid" and

"the locks and navigation facilities and such housing as the Chief of Engineers of the United States Army shall designate by notice in writing to the lessee given within 60 days from the date hereof, as being required for the housing and lock operations." The cost of these properties to the United States has been as follows:

Nitrate plant No. 1	$12,888,000
Nitrate plant No. 2	55,229,000
Steam plant, 60,000 kilowatt-amperes	12,326,000
Waco quarry, etc	1,273,000
Dam No. 2 (excluding locks)	43,388,000
Total	125,104,000

The offer proposes and the bill provides that there shall be built at the expense of the United States and included in the leased properties: (1) Additional equipment at Dam No. 2 to bring the capacity up to approximately 600,000 horsepower; (2) Dam No. 3, with power house, substation, and auxiliary equipment, for 250,000 horsepower; (3) a transmission line between Dam No. 3 and Dam No. 2 of 250,000 horsepower capacity; (4) a dam 225 feet in height at Cove Creek, with an installation of 200,000 horsepower; and (5) presumably a transmission line interconnecting Cove Creek power house with Dam No. 2. While this latter item is not specifically set forth in the offer, section T (p. 48, line 3), in defining the term "dam" as applied to Cove Creek, includes among the other items of the complete project the item of "transmission lines." Since Cove Creek could not be operated with the other plants, except through transmission-line interconnection, and since it is not to be supposed that the Government would be expected to build transmission for general distribution of power, it is assumed that the "transmission lines," for which provision is made, are to be for the purpose of interconnecting Cove Creek plant with the plant at Dam No. 2, 300 miles distant. The estimated cost of these new properties to be built at the expense of the United States is as follows:

New properties to be built at expense of United States

Additions to Dam No. 2	$8,285,000
Dam and power house No. 3 (exclusive of locks)	34,650,000
Transmission line No. 2 to No. 3	225,000
Cove Creek Dam and power house (without locks)	28,140,000
Transmission line, Cove Creek to No. 2	6,000,000
Total	77,300,000

CAPITAL OBLIGATIONS OF UNITED STATES

The total capital obligations assumed or to be assumed by the United States are, therefore, as follows:

Nitrate plants and properties:		
Nitrate plant No. 1	$12,888,000	
Nitrate plant No. 2	55,229,000	
Waco quarry	1,273,000	
		$69,390,000
Power plants and properties:		
Present steam plant	12,326,000	
Dam No. 2 to present capacity	43,388,000	
New hydro projects and accessories	77,300,000	
		133,014,000
Grand total		202,404,000

CAPITAL OBLIGATIONS OF LESSEE

From estimates of the fixed nitrogen laboratory of the United States Department of Agriculture it appears that the investment of the lessee in the nitrate properties will depend upon the process used as well as upon the amount of fixed nitrogen produced. If the cyanamid process, for which nitrate plant No. 2 was designed and built, is to be used, it will be necessary to build in addition to the existing plants an ammonium-phosphate plant and a phosphoric-acid plant. An ammonium-phosphate plant of a capacity of 48,000 tons of fixed nitrogen per annum is estimated to cost $7,500,000 and for a 10,000-ton unit about $2,000,000. If the wet process of producing phosphoric acid is employed, which appears to have been admitted by the cyanamid company's president during the committee hearings, the plant will for full capacity cost from $7,500,000 to $10,000,000 and for a 10,000-ton unit from $2,000,000 to $2,500,000.

Ammonia can apparently be produced more cheaply by the synthetic process than by the cyanamid process. To employ the synthetic process would require the reconstruction and enlargement of nitrate plant No. 1 at an estimated cost for the production of 48,000 tons per annum of fixed nitrogen of $8,650,000 and for a 10,000-ton unit of about $2,000,000.

The production of fertilizers beyond an amount with a fixed nitrogen content of 10,000 tons per annum is conditional on ability to dispose of the product at a profit of 8 per cent. The bill provides that the company in the construction of the initial unit will employ the cyanamid process. This will apparently involve new investment of from $4,000,000 to $4,500,000.

If the plants are in fact extended to permit of the production of the entire 48,000 tons of fixed nitrogen, the investment required by the cyanamid process would be $15,000,000 to $18,000,000 and by the synthetic process some $24,000,000 to $26,000,000. There would, however, be no obligation to make the larger investment in order to reduce costs.

The company agrees to enlarge the steam plant at nitrate plant No. 2 to a capacity of 120,000 kva. This is estimated to cost $5,400,000. The capital obligations of the lessee will vary approximately as follows:

10,000-ton unit:	
Power plant	$5,400,000
Nitrate plant	4,000,000
Total	9,400,000
48,000-ton unit:	
Cyanamide process—	
Power plant	5,400,000
Nitrate plant	[1] 18,000,000
Total	[1] 23,400,000
Synthetic process—	
Power plant	5,400,000
Nitrate plant	[1] 26,000,000
Total	[1] 31,400,000

Out of a total investment in power properties of $139,414,000 the company would have $5,400,000, or 3.9 per cent; and out of a total investment in nitrate properties of from $73,000,000 to $95,000,000 the company would have from $4,000,000 to $26,000,000, dependent upon certain contingencies, or from 5.5 to 27.5 per cent.

POWER INSTALLATION AND OUTPUT

The bill proposes the following power projects, with the following installation:

		Horsepower
Dam No. 2		610,000
Dam No. 3		250,000
Cove Creek Dam		200,000
Steam plant:		
Existing installation	80,000	
New installation	80,000	
		160,000
Grand total		1,220,000

Dam No. 2 alone with a capacity of 610,000 horsepower at 90 per cent efficiency and with 75 per cent load factor will produce in the average year 2,280,000,000 kilowatt-hours of energy, and with the 120,000 horsepower steam plant used only as an auxiliary, 2,480,000,000 kilowatt-hours, of which 1,940,000,000 kilowatt-hours, or 78 per cent, will be primary power. With Dam No. 3 and its installation of 250,000 horsepower added the total becomes 3,550,000,000 kilowatt-hours, of which 2,360,000,000 kilowatt-hours, or 67 per cent, will be primary. With the addition of Cove Creek and its storage of 2,600,000 acre-feet, and its installation of 200,000 horsepower, the total becomes 4,490,000,000 kilowatt-hours, of which 4,225,000,000 kilowatt-hours, or 94 per cent, will be primary power.

The total existing hydroelectric installation, exclusive of Dam No. 2, in the six adjacent States of Alabama, Georgia, North and South Carolina, Tennessee, and Kentucky, comprising within their limits the "southern superpower zone," is 2,170,000 horsepower. The combined output of electric energy in these six States in 1926 by public utilities, street-railway companies, and municipalities, was 5,800,000,000 kilowatt-hours. The total horsepower of installation, therefore, proposed to be turned over to Air Nitrates Corporation and American Cyanamid Co. is 55 per cent of the total now installed in these six States; and the total energy capable of being produced is nearly 80 per cent of the total being produced and used in these States. These sites, which it is proposed to develop at Government expense and turn over to a private corporation for its use, have a power-producing capacity greater than has ever before been given into the possession of any other corporation, public or private.

POWER REQUIRED FOR NITRATE PRODUCTION

Existing nitrate plant No. 2 is built for utilizing the cyanamid process of producing ammonia. The fixed nitrogen laboratory of the United States Department of Agriculture reports that the process requires about 13,000 kilowatt-hours of electric energy per annum per ton of nitrogen fixed. The synthetic process, to employ which would require the reconstruction and enlargement of plant No. 1, requires about 4,000 kilowatt-hours per ton per annum. The sulphuric acid or "wet" process of producing phosphoric acid would require electric energy only for operation of motors. To produce the phosphoric acid by the electric-furnace process would, however, require some 16,000 kilowatt-hours per annum per ton of fixed nitrogen in combination. The general mechanical operations of the various plants are unlikely to require more than 1,000,000 kilowatt-hours per annum.

The amount of electric energy required per annum by the various methods and for outputs of 10,000, 20,000, and 48,000 tons of fixed nitrogen per annum are, therefore, as follows:

1. Synthetic process for ammonia, wet process for phosphoric acid:	Kilowatt-hours
10,000 tons	41,000,000
20,000 tons	81,000,000
48,000 tons	193,000,000

[1] Maximum figures.

	Kilowatt-hours
2. Cyanamide process for ammonia, wet process for phosphoric acid:	
10,000 tons	131,000,000
20,000 tons	261,000,000
48,000 tons	625,000,000
3. Synthetic process for ammonia, electric furnace for phosphoric acid:	
10,000 tons	201,000,000
20,000 tons	401,000,000
48,000 tons	961,000,000
4. Cyanamide process for ammonia, electric furnace for phosphoric acid:	
10,000 tons	291,000,000
20,000 tons	581,000,000
48,000 tons	1,393,000,000

Under the terms of the proposal the lessee's obligation to produce fertilizers is contingent. Its obligation to produce quantities containing in excess of 20,000 tons of fixed nitrogen per annum is contingent upon the construction by the United States of the Cove Creek project, or if Congress elects not to construct, then the lessee need not begin such production until at least three years after it has applied for and received a license under the Federal water power act for the Cove Creek project. Since Congress is to have five years to decide whether to build itself, since thereafter an application by the lessee is optional, and if made may be for preliminary permit with three years' duration before license is even applied for, it is apparent that the contingent proposal to produce in excess of 20,000 tons may never become an actual obligation, or if it does that it may be deferred for at least 11 years.

The obligation to install equipment for the production of fertilizer in excess of a quantity containing 10,000 tons of fixed nitrogen per annum is contingent upon the ability of the lessee to dispose for three successive years of the entire output of the first 10,000-ton unit, at a price equivalent to cost plus 8 per cent. The same limitation of obligation applied to each successive unit. Whenever there is in storage unsold fertilizer of a fixed nitrogen content of 2,500 tons production may be suspended altogether.

Assuming that the lessee desires or is willing to produce and sell fertilizers to the totals named in its proposals, it is under no obligation to use a cheap as compared with a costly method of production, and has no incentive to do so, providing only the product can be disposed of, for its own earnings increase with increasing cost. Only if the more expensive methods use up electric energy upon which more than 8 per cent could be earned for other uses could the lessee be expected to employ the cheaper processes. Since the "wet" process for production of phosphoric acid of the quality required appears to be more satisfactory than the electric-furnace method, and since the electric energy required for the latter process would be worth hundreds of thousands of dollars per annum for purposes of sale or of use by the lessee in its private operations, it may reasonably be assumed that the lessee will not employ the electric-furnace method for production of phosphoric acid.

With respect to the synthetic versus the cyanamide process of ammonia production, the former requires more than three times as much energy per annum, but the latter would require the reconstruction and enlargement of nitrate plant No. 1 at an expense of from $2,000,000 to $9,000,000 depending upon quantity to be produced. The only apparent incentive for using the cheaper of the two processes is the probability that the lessee would earn greater profit from employing the excess electricity for other purposes. Until, however, a more profitable use can be found for the huge volume of electric energy which the several plants will produce it may be assumed that the more expensive cyanamide process will be used exclusively in order to serve as a market for the surplus energy. If so, the amount of electric energy required to produce the maximum quota of fertilizers is 625,000,000 kilowatt-hours per annum, less than one-seventh of the total energy which it is proposed to turn over to the lessee and less than one-third of the primary energy available from Dam No. 2 and the steam plant when developed to 610,000 and 160,000 horsepower capacity, respectively. If eventually the cheaper method is employed the lessee would be required to devote to fertilizer production only 4.3 per cent of the total energy proposed to be made available and only 10 per cent of the primary energy available from Dam No. 2 with the steam plant used as auxiliary.

It is apparent, therefore, that the primary purpose of the companies making the offer is not to produce and sell fertilizer, but to secure control for their own purposes of the largest block of cheap power available anywhere in the United States. Outside of the initial investment in nitrate-producing plant and equipment, all of which is to be written off by charges to fertilizer costs in a period of 10 years if fertilizer can be disposed of at such costs, the lessee is protected against any loss and assured of a profit of at least 8 per cent in nitrate operation. In view of the fact that Dam No. 2 when developed to full capacity and operated in connection with the enlarged steam plant will produce a primary output three times greater and a total output four times greater than the maximum probable requirements of full fertilizer production, it would seem that the privilege of receiving for their own unrestricted and unregulated use of from one and one-quarter to one and three-quarters billions of kilowatt-hours of electric power per annum produced in plants built almost exclusively at Government expense, and with average annual payments therefor of less than 3 per cent upon the Government's investment therein, might be considered an adequate subsidy, without the additional proposal of a further expenditure of $69,000,000 by the United States solely for the purpose of providing at less than cost 2,000,000,000 kilowatt-hours more for the sole benefit of these two corporations.

PAYMENTS TO UNITED STATES

The bill provides that with certain important limitations the lessee shall pay to the United States during the period of the lease 4 per cent interest on the investment of the United States made or to be made in the power properties. Certain small annual payments are also to be made for repairs and maintenance of dam and for maintenance and operation of the locks. Finally, the bill proposes certain other annual payment of relatively minor amounts, to give an appearance of amortization of the Government's investment. Since, however, these "amortization" payments are computed on the assumption of 4 per cent compound interest for a term of 100 years, twice the lease period, but with no provision whatever for actual accumulation of such interest, they are relatively inconsequential and merely a gesture.

Dam No. 2, including locks, has cost to date $46,588,000. The first item of new construction under the program of hydropower-plant development is the installation of the remaining 10 units in Dam No. 2, estimated to cost $8,285,000. For the purpose of estimating annual payments it is assumed that work on this item will be performed during the second and third years of the lease period. When completed the total cost of Dam No. 2 will be, therefore, $54,873,000. Maintenance and operation payments will not be altered by the new construction. It is proposed to pay interest on the cost of Dam No. 2, less "expenditures and obligations paid or incurred" by the United States "prior to May 31, 1922," or $16,282,000. This amount deducted from the preceding figures leaves $30,306,000 upon which interest at 4 per cent, or $1,212,240, is to be payable for three years, and $38,591,000, upon which $1,543,680 is to be payable thereafter. For the first six years, however, rentals are to be limited to $200,000 per annum.

In addition to the payments for interest the rentals include so-called "amortization payments" computed on the $46,588,000 for three years and thereafter on the cost of the completed project estimated as $54,873,000. These payments of $37,643 and $45,194 per annum are likewise deferred for the first six years. All deferred payments are to be carried forward unpaid with 4 per cent simple interest thereon until the thirty-fifth year of the lease. Thereafter, the deferred payments with accumulated interest are to be paid off in 15 annual installments with interest at 4 per cent until date of payment.

For the maintenance of Dam No. 2 and for the maintenance and operation of the locks, payment will be made of $35,000 per annum in quarterly installments.

The several classes of payments actually to be made on account of Dam No. 2 and percentages that such payments bear to the Government's investment, exclusive of locks, will be as follows: Payments for the thirty-sixth to fiftieth years and for the entire period are given both with and without interest on deferred rentals.

Dam No. 2

Payments per annum	Interest and amortization	Maintenance	Total	Per cent on Government's investment in Dam No. 2
First to sixth years, inclusive	$200,000	$35,000	$235,000	0.54
Seventh to thirty-fifth years, inclusive	1,588,874	35,000	1,623,814	3.15
Thirty-sixth to fiftieth years, inclusive:				
With interest	3,044,223	35,000	3,079,223	5.98
Without interest	2,076,620	35,000	2,211,620	4.28
Totals for period:				
With interest	92,940,700	1,750,000	94,690,700	3.48
Without interest	78,426,700	1,750,000	80,176,700	2.95

Interest on deferred payments while an item of cost of energy produced is not, of course, a payment for the use of Government property, but only a recompense to the United States for excess interest which it would have to pay because of the deferment of the "rental" payments during the first six years of the lease.

Dam No. 3 with transmission line connecting it to Dam No. 2 is estimated to cost $34,875,000 with an additional $2,000,000 for locks. On this amount less $6,000,000 or $30,875,000 the lessee is to pay interest at 4 per cent per annum. "Amortization" payments are to be computed on the $36,875,000 and there is to be a maintenance and operation payment of $20,000 per annum. The actual payment for interest and "amortization" during the first three years of possession is to be $160,000 per annum, deficiencies to be carried forward with interest as on Dam No. 2 and paid off after the thirty-fifth year. It is assumed

that work will be begun on Dam No. 2 during the third year of the lease period and that the plant will come into possession of the lessee at beginning of sixth year of lease period. On the same basis as for Dam No. 2 annual and total payments and their relation to the Government's investment, exclusive of locks, in Dam No. 3, will be as follows:

Dam No. 3

Payments per annum	Interest and amortization	Maintenance	Total	Per cent on Government's investment in Dam No. 3
Sixth to eighth years, inclusive	$160,000	$20,000	$180,000	0.52
Ninth to thirty-fifth years, inclusive	1,264,795	20,000	1,284,795	3.67
Thirty-fifth to fiftieth years, inclusive:				
With interest	1,884,843	20,000	1,904,843	5.48
Without interest	1,485,745	20,000	1,505,745	4.32
Totals for period:				
With interest	62,902,110	900,000	63,802,110	3.69
Without interest	55,575,000	900,000	56,475,000	3.27

With respect to the Cove Creek project it is assumed that probabilities of navigation use are too small to justify construction of locks over the proposed 225-foot dam. Estimate of the cost of the dam, power house for 200,000 horsepower, and transmission line to Dam No. 2, is $34,140,000. It is further assumed that the project, if built, will be completed and ready for delivery at the end of the ninth year of the lease period. The bill provides that payments for interest and "amortization" shall be based on a maximum expenditure of $20,000,000 if locks are not provided. Payments would begin at the end of the tenth year, and be uniform throughout the balance of the lease period, as follows:

Cove Creek

Payments per annum:	
Interest	$800,000
Amortization	16,160
Maintenance and operation	50,000
Total	866,160
Total payments for period	35,512,560

Equivalent to 2.5 per cent upon estimated Government investment of $34,140,000.

Neither interest, "amortization," nor maintenance payments are to be made upon any part of the Government's investment of $12,326,000 in the existing steam plant.

On the Government's investment in power properties (excluding navigation facilities) and varying from $55,714,000 (present investment) to $133,104,000 estimated ultimate investment, the aggregate of the above payments without interest on deferred payments, or $169,514,000 would amount to an average annual return on such investment of 2.6 per cent through the 50-year period.

The annual combined payments for interest, "amortization," and maintenance, the current investment in the Government's power properties under lease, and the percentage relation of annual payments to current investment are as follows:

Combined power properties—Dams Nos. 2 and 3, Cove Creek, and present steam plant

	Annual payments	Current investment, power properties	Per cent on investment of United States
First year	$235,000	$55,714,000	0.40
Second year	235,000	59,714,000	.38
Third year	235,000	76,000,000	.30
Fourth year	235,000	88,000,000	.26
Fifth year	235,000	98,875,000	.23
Sixth year	415,000	98,875,000	.42
Seventh year	1,803,874	108,875,000	1.66
Eighth year	1,803,874	118,875,000	1.52
Ninth year	2,908,669	133,014,000	2.18
Tenth to thirty-fifth years	3,774,829	133,014,000	2.84
Thirty-sixth to fiftieth years:			
With interest	5,850,226	133,014,000	4.30
Without interest	4,427,525	133,014,000	3.33
Total for period:			
With interest	191,355,370	(1)	2.93
Without interest	169,514,260	(1)	2.60

[1] Variable.

COST OF POWER

The cost of power produced in the several plants covered by the proposal will vary in accordance with the amount of energy produced. The two chief items of cost will be the payments to the United States and the cost of fuel for the operation of the steam plant. The following estimates are made for full operation:

	Dam No. 2	Dam No. 3	Cove Creek	Steam plant	Total
Maintenance	$105,000	$84,000	$68,000	$159,000	$416,000
Operation	155,000	127,000	111,000	1,640,000	2,033,000
Replacement	10,000	8,000	6,000	120,000	144,000
Transmission lines		3,000	60,000		63,000
General overhead	115,000	77,000	75,000	33,000	300,000
Interest				324,000	324,000
Total	385,000	299,000	320,000	2,276,000	3,280,000

Since there is no provision requiring replacement of equipment beyond the extent profitable to the lessee, the estimates assume one replacement only of steam turbines during the period of the lease and replacement in hydro plant of only minor equipment not subject to satisfactory repair.

From such of the above figures as are applicable to the several combinations, and with the appropriate payments to the United States added, estimates of costs per kilowatt-hour of total energy output and of total primary power are approximately as contained in the following table:

Costs per kilowatt-hour in mills, and output in thousands of kilowatt-hours per annum

	(1) Dam No. 2, 60,000 kilowatts, steam	(2) Dam No. 2, 120,000 kilowatts, steam	(3) No. 2, No. 3, 120,000 kilowatts, steam	(4) No. 2, No. 3, Cove Creek, 120,000 kilowatts, steam
Output:				
Total	2,327,000	2,477,000	3,437,000	4,490,000
Primary	1,415,000	1,940,000	2,313,000	4,225,000
Costs of operation	$840,000	$2,433,000	$2,732,000	$3,280,000
Payments to United States:				
Minimum year	$235,000	$235,000	$415,000	$3,775,000
Maximum year	$3,079,000	$3,079,000	$4,984,000	$5,850,000
Average for period	$1,894,000	$1,894,000	$3,170,000	$3,881,000
Costs, total and per kilowatt-hour:				
Minimum year	$1,075,000	$2,668,000	$3,147,000	$7,055,000
Kilowatt-hour, total	0.46	1.08	0.91	1.57
Kilowatt-hour, primary	.76	1.37	1.36	1.67
Maximum year	$3,919,000	$5,512,000	$7,716,000	$9,130,000
Kilowatt-hour, total	1.68	2.22	2.24	2.03
Kilowatt-hour, primary	2.77	2.84	3.33	2.16
Average for period	$2,734,000	$4,327,000	$5,902,000	$7,161,000
Kilowatt-hour, total	1.18	1.75	1.72	1.59
Kilowatt-hour, primary	1.93	2.23	2.55	1.70

The figures under the column headed "Dam No. 2, 60,000 kilowatts, steam," represent the amounts which would prevail throughout the period if the development were limited to 610,000 kilowatts at Dam. No. 2 and 60,000 kilowatts in the Sheffield steam plant as now existing. The steam plant is assumed to act as an auxiliary only, that is, to supply power at seasons of the year when water is not available to operate the hydro plant to capacity.

Of the total primary power made available under column (1), 95,000,000 kilowatt-hours would be steam produced. With 120,000 kilowatts of steam installation the amount of primary power supplied by steam would be 268,000,000 kilowatt-hours with Dam No. 2 alone and 325,000,000 kilowatt-hours with Dam No. 2 combined with Dam No. 3, or with that dam and Cove Creek. The cheapest kilowatt-hour cost for total output would be produced by Dam No. 2 with the 60,000 kilowatt steam plant, namely 1.18 mills per kilowatt-hour as the average cost during the 50-year period. This low cost is due to the fact that payments are not required for the steam plant and for only a part of the investment in the hydro plant, and because the amount of steam energy is relatively small.

During the first six years of operation, when the payments to the United States are merely nominal, Dam No. 2, if completed and operated with the existing steam plant, could deliver the total output at an average cost to the lessee of less than one-half mill per kilowatt-hour, while if all costs were charged solely against the primary power that power would cost only three-fourths of a mill per kilowatt-hour.

The costs of power for the maximum years, thirty-fifth to fiftieth, inclusive, during which deferred payments with interest thereon are being liquidated, are only slightly in excess of 2 mills per kilowatt-hour for the output of all the plants. The averages for the 50-year period are, however, well below 2 mills per kilowatt-hour. By building these plants at Government expense and leasing them, as is proposed, for annual payments which are less than the United States must itself pay out in interest, and by making no requirements for depreciation reserves, a situation would be produced whereby the lessee would secure the largest block of power available to any corporation in the United States or elsewhere at a cost materially less than anywhere else in the United States, with the possible exception of Niagara Falls.

PROFIT FROM POWER

Under the terms of the proposal the lessee is to have an 8 per cent "turnover" profit on all fertilizers produced and sold. The "costs"

upon which the 8 per cent is computed cover all possible items of cost, including a 10 per cent write-off of capital each year. If the product can be sold, there is no loss. If the product can not be sold at an 8 per cent profit, operations may be suspended. Under such circumstances the lessee would lose its investment in new nitrate plant. Presumably the question of whether nitrates can or can not be produced and sold under the conditions prescribed will be determined before the second unit goes into operation. In absence of ability to produce and sell fertilizers at a profit, losses would, therefore, be limited to the investment in the first unit, which could readily be written off in a short time from the profits from power.

The cost of fuel alone for steam-plant operations in the Tennessee Valley in plants like the Sheffield plant is estimated at 4 mills per kilowatt-hour. This figure does not include other operating expenses or any fixed charges. The cost of production of power in the projects covered by the proposal if handled on a commercial basis, with investment made by the lessee, with 6 per cent interest on the investment, and with adequate reserves for property renewal, would be not less than 3 mills per kilowatt-hour for all energy produced. There appears to be no other group of sites in the Tennessee Basin which could produce power equally cheap. The surplus power produced under the proposal should have, therefore, a sale value of not less than 3.5 mills, and probably of not less than 4 mills, per kilowatt-hour of primary power. If the value of the excess of primary power over the requirements of fertilizer production—which latter is assumed for this purpose as 625,000,000 kilowatt-hours per annum—be taken as 3.5 mills; and if for the secondary power in amounts not in excess of 20 per cent of the primary produced 3 mills be taken, with the next 20 per cent at 2 mills, and with all the remainder at 1 mill, the value of the power available to the lessee for its own use would be as follows:

Dam No. 2 and 60,000-kilowatt steam plant

790,000,000 kilowatt-hours, at $0.0035	$2,765,000
283,000,000 kilowatt-hours, at $0.003	849,000
283,000,000 kilowatt-hours, at $0.002	566,000
346,000,000 kilowatt-hours, at $0.001	346,000
Total	4,526,000

Total annual costs of producing power would vary from $1,075,000 to $3,191,000 and average $2,734,000, with corresponding credits of $288,000, $1,050,000, and $738,000 for cost of the 625,000,000 kilowatt-hours for fertilizer production charged at the average cost of all energy produced. These costs deducted leave the following net profits on power operations which would be made by the lessee without a dollar of investment of its own in power properties:

Minimum annual profit	$1,657,000
Maximum annual profit	3,759,000
Average annual profit	2,530,000

With Dam No. 2 and the 120,000-kilowatt steam plant the lessee would have an investment of $5,400,000 in the steam plant. The sales values of surplus energy on the same conditions as above would be $6,064,000. Costs of production with corresponding credits for power used for fertilizers would leave:

Minimum annual profit	$1,940,000
Maximum annual profit	4,071,000
Average annual profit	2,831,000

With Dams Nos. 2 and 3 and the 120,000-kilowatt steam plant and with the same investment by the lessee of $5,400,000, the sales value of the surplus power would be $8,418,000 and the profits, making deductions of costs with credits for power used for fertilizers, would be:

Minimum annual profit	$2,102,000
Maximum annual profit	5,840,000
Average annual profit	3,591,000

Similarly, with Cove Creek added, total values of surplus power would be $13,395,000 and profits as follows:

Minimum annual profit	$5,533,000
Maximum annual profit	7,321,000
Average annual profit	7,228,000

ADDITIONAL RIGHTS GRANTED LESSEE

In addition to the properties covered directly by the lease, the proposal provides that the lessee within 90 days after the approval of the lease shall organize a subsidiary corporation, and within 90 days thereafter shall cause such corporation to apply to the Federal Power Commission for a preliminary permit under the Federal water power act for three additional power sites on the Clinch River, namely, Senator, Milton Hill, and Clinton sites. The commission is directed to issue such permit when applied for, and the bill would grant the applicant a priority of five years, or two years more than the maximum authorized by the Federal water power act. If within the five-year period the company applies for a license, the commission is directed to issue the same if the plans and specifications are approved by the Chief of Engineers and Secretary of War as being "well adapted to develop, conserve, and utilize in the public interest the navigation and the water-power development of such region." The bill specifically exempts the company from payment to the United States of any moneys on account of benefits from headwater storage in Cove Creek Dam.

PUBLIC REGULATION

The bill provides that the lessee shall agree to dispose for the purpose of general distribution of such electric energy produced as may not be used for the following purposes:

Production of fertilizer.
Operation and lighting of locks.
Uses of the lessee.
Uses of American Cyanamid Co.
Uses of any subsidiary corporation of either.
Uses in local industry at or near Muscle Shoals.

It is apparent that the lessee intends to make use of all energy possible in the manufacturing operations of itself and of its subsidiaries and allies. Only to the extent that it can not use the power for these purposes will there be any power for general distribution. The power used for the purposes above listed will be subject to no public regulation whatever. Power sold for general distribution will be subject to public regulation only if the lessee itself distributes the power and sells it to consumers. If it wholesales the power to a distributing company, the sale of power for such purpose by the lessee is specifically exempted from public regulation by the statutes of Alabama. There is not likely, therefore, under the terms of the proposal and bill to be any public regulation whatever of the 1,220,000 horsepower covered by the proposal and of the 4,500,000,000 kilowatt-hours of energy that can be produced.

SENATOR FROM OREGON

The PRESIDENT pro tempore laid before the Senate the certificate of election of FREDERICK STEIWER, of Oregon, which was read and ordered to be filed, as follows:

Certificate of election

STATE OF OREGON, EXECUTIVE DEPARTMENT.

To all whom these presents shall come, greeting:

Know ye that it appearing from the official canvass of the vote cast at the general election held within and for the State of Oregon on Tuesday, the 2d day of November, A. D. 1926, that FREDERICK STEIWER, of Umatilla County, State of Oregon, received the highest number of votes cast for the office of United States Senator in Congress at said general election;

Now, therefore, I, Walter M. Pierce, Governor of the State of Oregon, by virtue of the authority vested in me under the laws of the State of Oregon, do hereby grant this certificate of election and declare said FREDERICK STEIWER, of Umatilla County, State of Oregon, to be duly elected to the office of the United States Senator in Congress of the State of Oregon for the term of six years.

In testimony whereof I have hereunto set my hand and caused the seal of the State of Oregon to be hereunto affixed.

Done at the Capitol at Salem, Oreg., this 26th day of November, A. D. 1926.

WALTER M. PIERCE, *Governor.*

By the governor:

[SEAL.] SAM A. KOZER, *Secretary of State.*

NATIONAL-BANK BRANCHES

The Senate resumed the consideration of Mr. PEPPER'S motion to recede from certain amendments of the Senate to House bill 2, and that the Senate concur in the House amendments to certain Senate amendments to the bill.

FARM RELIEF—PRICE OF COTTON

Mr. CARAWAY. Mr. President, I wish to call attention to an article appearing in the Journal of Commerce of February 16. It is headed:

Cotton sales high on farm bill fear—South establishes record for week as middlemen buy freely in market.

This appears under a Memphis, Tenn., date line of February 15. I ask unanimous consent that the article may be printed in the RECORD.

The VICE PRESIDENT. Without objection, leave is granted. The article is as follows:

[Special to the Journal of Commerce]

MEMPHIS, TENN., February 15.—Under aggressive buying by middlemen against deferred commitments and free absorption of the lower grades by domestic and foreign spinners business in actual cotton during the week just ended established a new high record for 1927 and showed a gain of more than 66 per cent, compared with the corresponding week a year ago.

Sales in 10 representative southern markets total 193,000 bales against 150,000 the preceding week and 60,000 the corresponding period a year ago. Moreover, they exceed by 8,000 bales the peak figures reached during mid-January, 185,000.

Middlemen, under the stimulus of the fear that passage of the McNary-Haugen bill might result in a further advance in prices, bought freely to cover commitments running some time ahead. In some in-

stances they secured the necessary cotton with which to fill March, April, and May engagements. They displayed distinct eagerness in the purchase of low middling to strict good ordinary, 1 to 1⅛ inch, in the brighter colors, the cottons they had sold ahead most freely. Increasing difficulty of securing these types undoubtedly gave much impetus to this wide covering movement.

Domestic and foreign spinners bought some middling and higher-grade cotton in all staples from ⅞ inch to 1¼ inch, but they continued to display distinct preference for strict low middling and below in grade and for 1 inch and longer in staple. They have absorbed considerable quantities of good ordinary and below, representing late pickings. There has been, however, comparatively little demand during the past few days for the very low-grade cotton, so far as middlemen are concerned.

Mr. CARAWAY. Suffice it to say that the mere expectation of the passage of the farm relief bill brought an advance in the spot-cotton market to the people of our section sufficient to have paid an equalization fee to have taken up the surplus cotton of the 1926 crop. The advance, since it became apparent that the bill would pass the Senate, has been such that no one, even one who is the most bitter enemy of the bill, could suggest that the advance would not have left a large profit above the cost of administration of the act.

In the same paper, under a Liverpool date line, is another statement dealing with the same subject, which I also wish to include in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The article is as follows:

COTTON PRICES UP—CABLES A SURPRISE—LIVERPOOL HIGHER—TRADE IS BUYING—EUROPE SNAPS UP OFFERINGS—FEW CONTRACTS

Cotton executed a sudden volte face under the impulse of a strong Liverpool market and an eager demand. To clinch the nail, contracts suddenly grew scarce. It was, indeed, the familiar experience. Prices here advanced 20 to 25 points. Shorts were startled. Liverpool was a surprise. It was higher than was due. And the inexhaustible demand there for the actual cotton, with concrete evidence in spot sales in Liverpool of 12,000 bales, largely American, was a fact that stood out in clear relief against the bearish sentiment on this side. The mills across the water were fixing prices on a liberal scale.

Mr. CARAWAY. The advance in cotton was spectacular in Europe, but the letter given out by the Secretary of the Treasury, Mr. Mellon, and the renewed assurances that the bill is to be vetoed checked the buying of cotton in Liverpool yesterday and actually resulted in the loss of a few points over the high advance which the morning market reached.

I moved to include these notices because those Senators who felt compelled to vote against the measure did so because they doubted that it would benefit the farmer. The best evidence of what the effect of the legislation would be is these responses from the world's markets.

The people who buy cotton and who are interested in maintaining a low price for cotton, moved by an apprehension that the bill is to become law, bought last week 193,000 bales of spot cotton in the southern markets as against 60,000 in the corresponding week of last year, although this year we had the largest cotton crop ever grown. With a comparatively short crop a year ago, the buyers bought 60,000 bales in the corresponding week. With the largest surplus of cotton we have ever had, but under the prospect of the McNary-Haugen bill becoming law, they bought 193,000 bales of cotton last week.

Under the same headline it is shown that buyers of cotton went into the market in my State, in Tennessee, and in Mississippi, and bought actual spot cotton to cover commitments running for four months. They did that notwithstanding that those who pretend to have the ear of the President and who speak for him say that he is to veto the measure. The cotton buyers have not as much faith in it as some politicians have, because they are putting their gold in cotton in anticipation that the President may not veto the bill.

Mr. McKELLAR. Mr. President, will the Senator again state the figures as to how much more has been bought this year than was bought last year?

Mr. CARAWAY. In the corresponding week last year there were bought 60,000 bales, as against 193,000 bales this year. I want to call the Senator's attention to the further fact that last year—I am talking about 1925 now—there was a cotton shortage. This year, with the largest crop in the history of the world, there was sold 66 per cent more cotton last week than was sold the corresponding week a year ago.

Mr. McKELLAR. I agree with the Senator that the value of the bill to the cotton producer has already been shown by what has thus far occurred.

Mr. CARAWAY. Of course. In Liverpool yesterday they actually bought 12,000 bales of American spot cotton under the belief the bill was to become law. The market eased off when Mr. Mellon, that truly typical farmer, assured the country that the bill was not workable and that the President would veto it. Of course, I have no right to criticize the administration for using whatever instrumentalities it may have, but it is remarkable that the bill should have been referred to Mr. Mellon, who is a specialist only in oil, in liquor, in aluminum, and in money, but who would not know a cow from a horse if the cow were dehorned. Everybody realizes that, and yet he is the farm expert selected to pass upon this bill. He says it will cost $800,000 yearly to administer should it become a law. The advance in the price of cotton on yesterday paid the cotton people more than that.

Mr. McKELLAR. And if the House shall pass the bill tomorrow cotton will probably rise sufficiently in price more than to pay it several times over.

Mr. CARAWAY. Oh, yes; very much more.

Mr. NEELY. Mr. President, will the Senator from Arkansas yield to me?

Mr. CARAWAY. Yes.

Mr. NEELY. If the President should veto the measure the next day, how much would the cotton farmers lose?

Mr. CARAWAY. They would lose a great deal more than this administration has been worth to the cotton farmers all the years that it has held office.

I do not hold a brief for the Secretary of Agriculture, Mr. Jardine, but I do feel as though the President ought not to slight him by sending his agricultural measures to the Secretary of the Treasury. Such measures ought to go to the Secretary of Agriculture. I protest against this, because the Secretary of Agriculture, all the time that he has not been busy holding schools in Chicago to teach cotton gamblers and grain gamblers how to beat the market, has been subservient to the wishes of the administration, and against this unnecessary humiliation of the Secretary of Agriculture I protest.

Mr. SMITH. Mr. President——

The VICE PRESIDENT. Does the Senator from Arkansas yield to the Senator from South Carolina?

Mr. CARAWAY. I yield the floor.

Mr. SMITH. Mr. President, I merely wish in connection with what the Senator from Arkansas has stated to call attention to the fact that in 1925 when the Agricultural Department estimated that there would be 14,000,000 bales of cotton made it was commonly asserted, and the figures showed, that the trade was willing to take 14,000,000 bales at 24 cents a pound. Before the season had closed, however, there were actually ginned 16,000,000 bales of cotton, and cotton declined to 20 cents a pound.

In 1926 when it was estimated there would be 18,600,000 bales, cotton declined to 10 cents a pound, showing a decline on account of the 4,000,000 bales surplus of $70 a bale on 18,000,000 bales of cotton, which entailed a tax or an equalization fee in favor of the purchaser of $1,200,000,000, the difference between 24 cents for 14,000,000 bales of the crop of 1925 at 10 cents for the crop of 1926. The difference between 10 cents a pound for the latter crop as against 24 cents for the former crop represented a loss of $70 a bale. Now, mark you, the purchasers got some 14,000,000 bales at 10 cents a pound, and 4,000,000 bales the surplus as a bonus in addition to that.

The McNary-Haugen bill, which we have passed, provides machinery by which the 4,000,000 bales may be taken off the market for and in the interest of the producer, but still remain his property, while the trade may receive their supply at the figures they were willing to pay for 14,000,000 bales, having been satisfied in 1925 with 14,000,000 bales at 24 cents a pound. It is reasonable to suppose that the administration of this measure will not cost $1,200,000,000, but the lack of the machinery which it provides has actually cost in difference of price $1,200,000,000.

It is interesting to note in this connection that the price for the finished product has not declined from what it was when the raw material cost 24 cents a pound. The Senator from Arkansas has submitted the figures to show that the mere anticipation of the administration of the cotton interests of this country being shifted from the buyer to the producer has stimulated the market price of cotton to a point where it shows a sufficient gain to cover all the cost of the administration. I thought it would be interesting to the public in general that pays any attention whatever to the affairs of agriculture, to know that the figures which I have quoted represent the actual facts in relation to the two cotton crops of 1925 and 1926.

Mr. HEFLIN and Mr. McLEAN addressed the Chair.

The VICE PRESIDENT. The Senator from Alabama.

Mr. HEFLIN. I will not take over five minutes.

The VICE PRESIDENT. The Senator from Alabama has five minutes remaining of the time to which he is entitled.

Mr. HEFLIN. Mr. President, I am very much interested in maintaining a good price for cotton; I have done all in my power always to help the farmer secure a fair price. I wish to say in connection with what the Senator from Arkansas [Mr. CARAWAY] has said that while recently the price of cotton has advanced some, it has advanced at a time when most of the cotton crop of 1926 has gone out of the hands of the cotton farmer, so that the man who produced the cotton will get no benefit from the increase in cotton prices at this season of the year.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. HEFLIN. I regret that I have not the time to yield. The price of cotton is still below the cost of production, and certainly there is nothing to boast about, even now, until the price of cotton gets above the cost of production.

There is another thing, Mr. President, we should bear in mind, and that is that the planting time is near at hand. Within a month the farmers will begin planting cotton in some sections of the South, and within six weeks planting will be pretty general throughout the South. The speculators and spinners always put the price of cotton up in the spring to encourage the cotton producer to plant another big crop. In addition to that the spinner already has obtained most of his cotton supply, and he is willing for the price to advance now. He will speculate on the bull side of the market, and when the price of cotton that cost him 12 cents a pound goes up to 15 cents a pound he is going to base the selling price of his cloth upon that price. So when cotton advances now in price it is helping the spinner; it is enhancing the value of the cotton he has already bought and paid for and will enable him to charge a higher price for his cotton goods.

I can not see why the market should be excited very much about this particular measure when the newspapers have heralded from one end of the country to the other the announcement that the President is going to veto it. I merely wished to submit those observations, Mr. President, in connection with what has been said on the subject.

Mr. GEORGE. Mr. President, I merely wish to remark that, in my judgment, it is a good time for those who supported the McNary-Haugen bill to felicitate the country and congratulate themselves upon the passage of the bill. It will be very much more difficult to elicit any sympathy at some subsequent date, I fear, after the bill shall have actually gone into operation.

It seems to be conceded—I say "conceded," for in certain sections of the press it is asserted—that the President will veto the bill. Therefore it would be difficult to ascribe the activity the cotton spinner displayed in the market yesterday to the passage of the McNary-Haugen bill; that activity might as well be referred to the probable action or anticipated action of the President vetoing the measure.

I wish to take this occasion, Mr. President, to express the hope that the President of the United States will find it possible to approve the McNary-Haugen bill if it shall pass the House; that he may find it possible to give this measure a fair chance to operate, because I am convinced that it stands in the way of real helpful legislation, so far as the cotton farmer is concerned, and that until it has been given a fair chance to operate and has demonstrated that it will work or has revealed the fact that it is unworkable, it will not be possible to procure legislation in the interest of the cotton farmer. I am not speaking of the western farmer; I am not speaking of western farm products. I have always been able to see how, if this measure should become a law and the courts should permit it to go into full operation, it would affect the prices of certain western products and even of certain products grown in other portions of the country, though they are not covered by the bill.

Mr. President, I take this occasion also to say that the record ought to be kept straight in this matter simply in the interest of truth. It does not seem to me that the full credit should be given for the passage of the McNary-Haugen bill to an ex-Governor of the State of Illinois, who is a probable candidate for the Presidency, but I think that the President of this distinguished body should be accorded full credit for his part in the passage of this important legislation. Simply in the interest of truth and simply for the purpose of keeping the record straight I, in my place, though I voted against the measure, most solemnly protest against the giving of credit to others than the distinguished President of this Senate for his directing genius in steering this important legislation through all the various shoals and shallows to which legislation is subjected to a happy and successful conclusion in this body.

Mr. McLEAN. Mr. President, I do not want to object, of course, to this discussion on a bill that is not now pending, but I should like to know whether the Chair is keeping track of the time occupied by the several Senators who are discussing it?

The VICE PRESIDENT. Time is being kept, but the Senators and not the Chair are the judges of the relevancy of their own remarks.

Mr. CARAWAY. Mr. President, permit me to say, in the language of Admiral Schley, there is glory enough to go around; but there is not any very great strife among the friends of the bill as to who is responsible for its early passage. I believe there will be a greater concern among those who voted against it to offer an alibi acceptable to the farmers of their States.

I have seen statements issued by Senators who voted against the bill—I read one yesterday—alleging, as their reasons for opposing it, defects that do not appear in the text of that measure.

I have never objected to anyone offering his reasons for being against this legislation; but I am not unmindful that there are several who are hoping the President will veto this bill, so that they can say, "It does not make any difference how I voted." I am seriously doubtful, however, if the President is to do so. I sincerely hope that he does not. There is more than a political battle involved in this legislation. There is more at stake than whether the present occupant of the White House shall be permitted to run for the Presidency again, or whether some one else shall wear the empty honor of being the Republican candidate in 1928.

There are 34,000,000 of farm people in this country, Mr. President; and those who speak lightly of their condition are not familiar with their needs. I speak more especially with reference to the farm people who are engaged in the production of cotton. There is not any disaster that could happen to them except the failure of the passage of this bill. They are destroyed under the present economic conditions. They have some chance to recover, some little hope to become economically independent again, unless this legislation be vetoed; and under the encouragement of a constantly reiterated suggestion in the Senate and in the House that it is unconstitutional and unworkable the President may do it.

Mr. MAYFIELD. Mr. President, if the bill is vetoed, it will cost more to collect the interest on farm mortgages this fall than it will cost to collect the equalization fee, will it not?

Mr. CARAWAY. Mr. President, I am glad the Senator from Texas referred to that. I can take the heart of the cotton-growing country, the Delta on both sides of the Mississippi River, and find hundreds of thousands of acres of the very best cotton-producing land on earth that you may buy now for the mortgage debt, although the debt was presumed to be not in excess of 40 per cent of the value of the land when the loan was made; and the Federal Government is going to lose more in interest and principal by being persuaded to accept the advice of the great farmer who is the Secretary of the Treasury, and further destroy agriculture, than it will cost to administer this bill.

The Secretary of the Treasury said it would cost $800,000 a year to administrate. Everybody who knows anything about cotton knows that just the vetoing of this bill will drop the cotton market more than three times that sum. I have seen estimates of 160,000 bales in excess of what the market had thought the cotton crop was to be cost the cotton growers $5 a bale. This method of competitive marketing in which the farmers, unorganized, have to contend against the organized buyers of cotton cost them infinitely more than $800,000 every month in the year under the old system; and if it does not cost any more than that to change the system and give the farmer at least cost for what he produces, the Secretary of the Treasury would do well to recommend that the President should sign the bill.

Mr. FLETCHER. Mr. President, is there any cotton now in the hands of the producers?

Mr. CARAWAY. Oh, yes; there is cotton in the hands of the producers. There is cotton in the field yet unpicked; and one of the very articles I am putting in the RECORD says that the cotton trade complains about the increased price, now that the farmers will go back into the fields and gather their crop. Otherwise they would abandon it.

Mr. HARRISON. Mr. President, I did not expect to say anything with reference to the McNary-Haugen bill after it had passed the Senate and while it was being discussed in the other body. Certainly, I would not, in anything I might say to-day, give the impression that I was gloating over any action I might have taken as against those who pursued a different course. In all of my experience in the Senate, I have tried to follow the policy of never questioning another Senator's motives for voting as he thought best, and I certainly have never harbored that feeling of apparent hate which often breeds hard sentences and riles the feelings of others. I have been content to believe that Senators, in their votes

here, are prompted by high motives, and not by ulterior purposes.

I voted against the bill upon its final passage. As one who voted that way, and I am sure there are many others, whether they come from the cotton or other sections of the country, who voted as I did, who have but the highest feeling of elation over the fact that the price of cotton is going up. I can not believe there is a Senator, because he may have seen fit to vote against the McNary-Haugen bill, who would desire to see cotton drop in price. And, coming as I do from a State which produces nearly 2,000,000 bales a year, I welcome any incident, whether it be temporary or permanent, that will influence a rise in the price of cotton. I hope that the Senator from Arkansas [Mr. CARAWAY] is correct in his deductions that the action of the Senate, and the probable action of the House, has had the wholesome effect to which he has alluded. And I hope that the President of the United States can conscientiously give his approval to the measure. I may say, that while I voted against the legislation in its final passage, it must be conceded that it is a much better bill than the one considered about a year ago. It has been improved in many particulars, and many of the very objectional features in it have been eliminated.

I would have voted for the legislation, and I so stated my position, if the Senate had adopted a provision deferring the equalization fee on cotton for two years. That may appear to some Senators who have championed the measure and who have grown enthusiastic in its espousal as being an inadequate reason for casting my vote as I did. Those who may entertain such views can do so. I am satisfied with my course and I feel quite secure in the reasons which prompted me. I made every attempt, by conferences outside of this Chamber, by pleas and amendment offered here, to have the equalization fee on cotton deferred two years. You will recall that almost a year ago when this legislation was before the Senate, and carried with it a provision deferring the equalization fee on cotton, the privilege was granted to the cotton growers of the South to share in the revolving fund created from the collection of the equalization fees on wheat and corn and rice and other agricultural products affected by the legislation. The amendment I offered the other day, deferring the equalization fee on cotton for two years, carried no such provision. I did not think such a provision was fair. I was unwilling to advance such a contention. A provision that would collect the fee on wheat and corn and rice to be used to stabilize cotton, without a like fee being charged on cotton, is unjustified. But in the amendment that I offered seeking to defer the equalization fee on cotton two years I expressly stated, and the amendment so provided, that during those two years the only benefits which the cotton industry would obtain from the legislation would be from advances made out of the $250,000,000 appropriation in the bill as loans and such part of that appropriation as might be used as the insurance fund to insure cotton against price decline. It did not touch the revolving fund created out of equalization fees collected on wheat, corn, rice, tobacco, and so forth. But we lost out in the fight we made to defer the equalization fee on cotton, although 15 minority Senators out of the 20 from cotton-growing States voted to defer that fee on cotton. We lost out, notwithstanding the fact that the representatives of every farm group here in Washington had consented to its deference, even though they contended it would be better if it were now imposed.

But I say, Mr. President, that the bill is better, much better, than the one considered by the Senate when this question was up before. That bill created the power to collect the fee on the farmer's cotton at the gin, even though he might desire to haul it back home, store it away, and keep it for higher prices. That very fact destroyed the idea of encouraging farmers to hold their cotton for higher prices when it was then selling at a price less than the cost of production. The bill that passed the other day has eliminated that feature and places the equalization fee in operation only when the product enters into transportation or commerce.

In the legislation passed by the Senate, now being considered by the House, the most wholesome provision of any carried in the bill, in my opinion, was included—that of insuring these agricultural products against price decline. Under that provision, if it should be written into the law, the members of the cotton cooperative associations of the South, as well as cooperative associations dealing in wheat, corn, rice, and tobacco, would be able to insure, under a contract with the governmental board, for a premium to be fixed by it, against a decline in the price. It operates under the same theories as those employed by life and fire insurance companies. It is disclosed from close investigation and actual facts that over a 20-year period, based on the price of cotton on the New Orleans Cotton Exchange, that during the selling period, namely, from September 1 to January 1, the average decline in price, when compared to the whole 12 months from September 1 to August 31, is only 56 cents a bale. There were four exceptions, all of which are explainable from some exceptional occurrence, such as would naturally cause a violent fluctuation in the price, as a war or panic. Exceptions such as are found sometimes in life or fire insurance cases; as revealed in the yellow-fever epidemic some years ago in life insurance and the great Chicago or San Francisco fires in fire insurance.

But through the insurance plan incorporated in this legislation, the Government, through the exacting of a certain premium, will write an insurance policy against price decline which will enable the Cotton Cooperative Associations to pay to the members, on the day of delivery, the actual price of cotton as shown by the New Orleans Cotton Exchange, less carrying charges. In other words, where to-day they are only able to procure an advance of 65 per cent of its market value and then run the risk, through their organization, of a further decline, they will be able when their cotton is delivered under this insurance plan to obtain the full value of it, less carrying charges, and will share in whatever benefits that might accrue from the holding of it for higher prices. By such a plan, the cooperative associations will be able to borrow from the banks of the country, and I hope, in time, by sanction of law through amendments to the Federal land bank acts the full value of the product, less insurance and carrying charges, may be borrowed. In my opinion, this insurance system will revolutionize agriculture, and if properly administered will add not only to the membership of the cooperative associations but stabilize the great basic agricultural products.

I am happy in the part that I played, small as it was, in bringing this plan to the attention of the Senate, and seeing it written into the legislation, and I glory in the part played by my constituents who conceived the idea and gave their time and labors here in Washington to press it. It is entirely and properly known as the Bledsoe plan, because it was Hon. Oscar F. Bledsoe of Mississippi who conceived it and brought it here to our attention. I was in hopes that this insurance plan could be given a trial on cotton during the two years the equalization fee on that crop might have been deferred so that it would make it unnecessary in the future for the fee ever to be applied to it.

Mr. President, the bill was improved in many other ways. The provisions with reference to the application of the equalization fee on any of the basic agricultural products has strengthened it, and the amendments offered by the Senator from North Carolina have improved it. And better still, the old protective tariff provisions and the right of the President to lay an embargo, as was carried in the other bill, have been eliminated in this legislation. I never have—and I hope I shall never vote for a protective tariff on any product; and should I ever become a protectionist, I shall resign my place as a Democratic member of the Finance Committee of this body.

But, Mr. President, what I arose to say was that when these bouquets are being bestowed let me invite attention to the representatives of the farm groups who have come here to Washington to arouse the country for agricultural legislation and press this proposal. In the last two weeks I have been thrown in very close touch with the representatives of those farm groups. I have, in my humble way, tried to effect certain modifications and see certain alterations made that I might give it my support. I was somewhat skeptical of some of these gentlemen in the beginning, but I want to say to this body and to the country that I have never seen any set of men improve under close observation and rise in my esteem and estimation more than the distinguished men representing the farm groups who have gathered here from the various parts of the country championing this legislation. I think that Mr. George Peek, who gave up a $100,000 job to come here and do his bit toward the creation of sentiment for the passage of this legislation, has rendered a great service to the agricultural interests of the country. I never came into contact with a more unselfish, better poised, and abler gentleman.

The same thing is true of his coworkers here: Mr. Davis, Mr. Pitts, Mr. Kilgore, Mr. Thompson, Mr. Grey, Mr. Neil, and Mr. Stone, and many others whose names I do not now recall. While I may have differed with them in some of their ideas and may not have been able to give my approval to the soundness of their views, I may have been wrong and they may have been right; but this I know, that the service they have performed was with what they conceived to be the highest order of real patriotism.

So far as the statement issued by the Secretary of the Treasury is concerned, to the effect it will cost $800,000 to operate

this measure, that should not have any weight with anybody in the consideration of this legislation. Of course, it will cost money to operate it. No one ever doubts, if it would be a success in its administration, but that it would cost money. All big undertakings cost money. Why, it costs over $800,000 every year to administer the Federal Trade Commission. Many of the other commissions cost a great deal more than that, and if this legislation proves to be sound and is as beneficial to the agricultural interests as its proponents believe it to be, then $800,000 a year for its administration will be merely a bagatelle.

And so, Mr. President, I hope with the Senator from Georgia that if a majority of the Representatives of the people in the House should adopt the Senate bill that when it goes to the President he can conscientiously see his way clear to give it his approval.

Mr. FRAZIER. Mr. President, I am glad to note that, according to the report read by the Senator from Arkansas [Mr. CARAWAY], the Senate vote on the McNary-Haugen bill has had some results. I am very glad also to note that some of the Members of the Senate are taking opportunity to explain their votes against the McNary-Haugen bill. I am free to predict that if the bill shall pass the House, as I trust it will, and shall be signed by the President, as I sincerely hope and believe it will be, many more Senators on this floor will begin to explain why they voted against the McNary-Haugen bill.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. FRAZIER. I gladly yield.

Mr. McKELLAR. The suggestion was made a while ago that the increase in the price of cotton to which attention has been called would not do the farmers any good. There never was a more fallacious statement. I dare say that of the 160,000 bales of cotton that were sold yesterday in the city of Memphis, where I live, not less than 150,000 belonged to farmers, and they were sold as on consignment. They actually belonged to the farmers, and the increase in the price will do the cotton farmers an immense amount of good. It will not do them as much good as would have resulted if the Senator had had his way last year, and I had had my way last year, and a bill similar to the pending bill had passed at that time; but I agree with the Senator in hoping that the House will pass the McNary-Haugen bill and that the President will then sign it, and that it may soon become the law, because I believe it will do not only the cotton farmers but all the farmers an immense amount of good.

NATIONAL BANK BRANCHES

Mr. FRAZIER. Mr. President, I think the statement of the Senator from Tennessee is correct. Undoubtedly the present rise in the price of cotton will help many farmers who have not sold all their cotton, and the same is true as to other farm products.

I think it is wise for Members of the Senate to start in at this time explaining why they voted against the McNary-Haugen bill, and I am sure that as time goes on, they will improve by practice in making these explanations.

Mr. President, a vote will soon be taken on the pending measure, known as the McFadden bill, sometimes called the "bank-relief" measure; in my judgment it is a bank-relief measure for the big bankers, pure and simple, just as much so as the McNary-Haugen bill is a farm-relief measure, or more so. It looks as if a majority would vote in favor of it, but I believe that after the vote is taken, and after the bill goes into operation, there will be many Senators who will feel compelled to explain their votes on the banking measure.

While those in favor of the bill think it is necessary at this time to give the banks this relief, I am satisfied that when the act goes into effect, and when they get word as to the sentiment of the people in their home States, they will begin to explain why it was that they voted for the bank-relief measure.

I have had a number of letters and telegrams from bankers and others in my State in regard to this measure. Many bankers wired in or wrote in favoring the passage of the McFadden bill. Then, when the Hull amendments went on the bill, they favored the passage of the bill with the Hull amendments. After the Hull amendments were stricken out, and a lot of other amendments were added to the bill, a majority of them seemed to favor the bill without the Hull amendments, showing plainly to me that some concerted effort was being made to get the bankers throughout my State, and I understand throughout the Nation, to go on record as favoring this bill whether it had in it the Hull amendments or not, regardless of whether it had in it a branch-banking feature or of what the provisions were.

Undoubtedly the big banks feel the need of this relief measure, and so they are bringing pressure to bear on the little bankers to support the bill, and many of the little bankers, I am sure, are afraid to do other than as they are told by the big bankers who are back of the measure.

There are a few independent bankers who have been frank to give their opinions on this question, although they generally wound up with a footnote or postscript saying that they did not want their names used in connection with the arguments they had set forth; and I presume they are probably showing good judgment in making such a request.

Mr. President, under the present banking system the little country national banks are at a disadvantage. They are dictated to by the Federal Reserve Board and by those in high position in the Federal reserve system. I believe that without doubt power is given to that board to put out of business any little banking institution that goes contrary to its policies. There may have been one or two exceptions, but the general rule is that if a little national bank goes contrary to the policies of the Federal Reserve Board, it is put out of business, forced to the wall.

I want to read a part of a letter or two I have received, written by bankers, opposing this bill. It is true that they are small bankers, in small country towns, comparatively small places, but nevertheless I believe they voice the sentiments of hundreds of bankers, especially of the smaller towns in agricultural districts. One banker writes:

> The Senate will soon have under consideration passage of the McFadden banking bill, which has been acted on in conference by the Senate and House committees.
>
> This bill has been the subject of a great deal of controversy among the bankers. The American Bankers' Association at an Atlantic City meeting in 1925 indorsed the measure with the Hull amendments. At the Los Angeles convention in 1926 this action was reversed by a vote representing only a very small percentage of the bankers of the country, only 460 supporting the resolutions, whereas there are 28,000 independent banks in the United States.
>
> I am fully convinced that unless the present McFadden bill can be defeated and a new measure drawn which will in some manner permit the country Federal reserve membership to increase earnings, it will be necessary for a great many country national banks to eventually withdraw from the system.
>
> The proposed McFadden bill also permits the recharter of the Federal reserve banks through an amended section. I am convinced that this recharter provision should be considered by Congress on its merits, and there should be no attempt to secure such recharter without further consideration.
>
> I would certainly appreciate an expression from you as to the present situation and concerning your views on the pending legislation.

I want to quote from another letter received from a banker. In speaking of the Federal reserve bank bill he says:

> I do wish to say that in my opinion, and that as well of many old conservative country bankers, the Federal reserve act discriminates against the country national banks.
>
> I have no quarrel with the reserve feature of the act, as unquestionably the banking structure as a whole is strengthened thereby.
>
> I do, however, oppose the par clearance feature of the act which has penalized the smaller national banks through loss of their exchange revenue, formerly nearly 10 per cent upon a bank's capital. Unquestionably, many national banks in rural districts would now be open and solvent if that revenue had been available the last 10 years. It is the mail-order houses and the large business interests who have profited directly from the loss of this revenue to country banks. Do the customers in the country secure their goods any cheaper because Sears, Roebuck & Co. do not pay 5 or 10 cents on the country bank check? If they object to accepting such a settlement from the customer, let them refuse to accept the check which thereby gives the bank a source of profit in selling exchange to its customers. Now, the banker is forced to perform the service of remitting for such checks without compensation.

Mr. President, that has been a general complaint of the national banks in the smaller towns and cities in regard to this Federal-reserve requirement, that they should clear their checks at par, and it undoubtedly has meant the loss of quite an item, when they would have made a profit if they had been allowed to charge a small exchange on the clearance of their checks. Continuing, the letter states:

> Those of us who have witnessed the deflation since 1920 can see no justification for the action of the omnipotent Federal Reserve Board at Washington. First, they permit no restriction on inflation between the close of the war in November, 1918, and July, 1920. Why was no action taken then to deflate conditions? Because Government loans were to be floated and our people urged patriotically to purchase Victory bonds on 4¼ per cent basis. Then, in 1920, patriotic country bankers who owed the Federal reserve banks were forced to sell Liberty bonds at prices from 82 to 88. After these bonds were absorbed by the eastern war profiteers the price for same was sta-

bilized from 95 to par. Then came the deflation of agriculture, which has about ruined the Northwest. Why did not the Federal Reserve Board say to the country bankers, "Take three years to deflate your condition and reduce your farmers' line of credit"? Now, agriculture is apparently at rock bottom, and I believe we will see a gradual improvement. The next move appears to be the control of banking capital and credit by large banks securing branch-banking privileges.

Then he refers to the situation in Minneapolis, which has been mentioned:

In Minnesota two large Minneapolis banks now operate several "offices" each, although the comptroller has repeatedly advised them it is contrary to National and State banking laws. These have been operating nearly four years. How long would it take the comptroller's office to advise this bank a receiver would be appointed within 30 days should we attempt to operate such an office outside our own banking room?

Mr. President, I believe I am safe in saying that this little banker is telling the absolute truth in this statement, that if any little bank tried to establish a branch bank under existing law it would be called to task mighty quickly by the Comptroller of the Currency. But big banks are allowed to have tellers' windows or little offices, as they may be called, which are simply branch banks outside of the parent bank. I continue the reading:

The McFadden bill will sound the death knell to independent banking in the United States within 10 years.

This is not my statement, Mr. President. It is the statement of a banker who knows the game from actual experience as a little national banker. I believe he is making a straight statement of sound logic based on the principles of the measure. He goes on to say:

Do we want the Canadian system in this country? You will agree we do not, and I hope you will use your influence to defeat the McFadden bill.

Mr. President, he refers to the branch-banking system of Canada. As I understand it some seven or eight banks, with their branches, in Canada control the whole situation in that great country. It appears to me that the present bill is a step toward general branch banking.

I think I am safe in saying that some Members of this body are favorable to general branch banking, and I assume they are honestly for it, believing that it would be better for the country and that it would stabilize our banking system above the system which we now have; and that may be true. But I believe, too, that the rank and file of the people of the Nation and the bankers themselves, especially among the smaller bankers, are opposed to a central bank or a general branch-banking system. It seems to me that the bill will merely help to make the Federal reserve system more of a central banking system.

The people of the United States are opposed to the plan of a central banking system, I believe. It was demonstrated in history, in the time of Alexander Hamilton and again in the time of Andrew Jackson, that the people were opposed to a central bank, and I believe they are still opposed to it. I think when the Federal reserve system was organized it was the intention of those who had to do with drafting the measure and putting it into operation that it would be a better banking system and would better serve the people of the Nation; but, like a good many other measures which are passed with good intentions, we have gotten away from the original intent of the law. While I do not think it was the intention of those who were back of the Federal reserve system when it was promoted to have it a central banking system, yet it has come to be practically a central banking system. The reserve feature of that law is, of course, good, and undoubtedly that very reserve feature was what helped to put it across.

Of course, some of our friends on the other side of the Chamber, who feel that they had much to do with putting across the Federal reserve system and who are pleased to boast about how well it operated until the Republicans got control of the administration and of the Federal Reserve Board, are still strong for the Federal reserve banking system. I understand that in order to get Democratic votes for the so-called McFadden bank relief bill the amendment providing for the perpetuation of the Federal reserve bank charter was attached to this measure—in order to get Democratic votes, Mr. President! Oh, it was claimed on the floor a few days ago that we had to put cotton and tobacco and rice and a lot of other amendments in the farm relief bill in order to get the votes of southern Senators on the other side of the Chamber. There may be something to it; but Senators who represent the Southern States know that their people want farm-relief legislation and need it just as badly as the farmers of the West need such legislation.

Mr. COPELAND. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from North Dakota yield to the Senator from New York?

Mr. FRAZIER. I yield.

Mr. COPELAND. I want to ask the Senator if he believes he can state any promise that I had last year in order to get me to vote for that bill?

Mr. FRAZIER. I will say to the Senator from New York that I was not referring particularly to Democratic Senators from the Northern States, because neither cotton nor rice nor even tobacco is grown there to any great extent. I referred particularly to Members of the Senate who represent the Southern States where they raise cotton, rice, and tobacco.

Mr. COPELAND. It is not quite fair, if the Senator will permit me to interrupt further, to point at the Democrats. If the Senator wants to talk about individuals that is all right, but there is one Democrat over here, myself, who voted for the bill without any reference whatever to the banking bill, which of course I favor now. I voted for the farm relief bill this year and last year, and whenever I have had an opportunity to do so, because I believe the farmers should have relief. I think the farm relief bill is economically unsound, but it is no more unsound than the protective tariff and other measures; but in fairness to the Democrats, let not the Senator suggest that the Democrats did this or that, because of course the Senator realizes he is outside of the pale of the exact facts when he makes that statement.

Mr. FRAZIER. I realize that what the Senator from New York said is perfectly true, and also that there are Democrats and Democrats, just the same as on this side of the Chamber there are Republicans and Republicans.

Mr. COPELAND. I see the distinction, Mr. President, because there are Republicans and Republicans, and there are times when the Senator addressing the Senate is not a Republican.

Mr. FRAZIER. Yes; and there are times, too, when the Senator from New York does not follow as closely as some of the others the dictates of the great Democratic Party. It has been suggested to me that the Senator from New York follows the dictates of Tammany Hall, but I will not make that statement, because I do not know, though we have our own opinions, of course.

Mr. President, it seems to me that the bank relief bill simply strengthens the central banking system of the Federal reserve bank. In view of what happened to the great agricultural districts of the West and South beginning in 1920 through the deflation brought on by the Federal Reserve Board of the Federal reserve banking system, it is beyond me to understand how anyone representing either the South or the Middle West or the West, can possibly vote to strengthen the Federal reserve banking system by this proposed relief measure.

The Federal Reserve Board met away back in May, 1920, and had their secret meeting here in Washington and received their orders to deflate and to raise the rates of interest and discount. It will be remembered that the meeting was held in May, behind closed doors, here at the National Capital, but the deflation did not begin out in the West or the South until the fall of the year, when the crops were ready for market. Of course, it is now commonly known that the governor of the Federal Reserve Board, Mr. Harding, in his closing remarks before that conference, stated:

I would suggest, gentlemen, that you be careful not to give out anything about any discussion of discount rates. That is one thing there ought not to be any previous discussion about, because it disturbs everybody, and if people think rates are going to be advanced there will be an immediate rush to get into the banks before the rates are put up, and the policy of the reserve board is that that is one thing we never discuss with the newspaper man. If he comes in and wants to know if the board has considered any rates, or is likely to do anything about any rates, some remark is made about the weather, or something else, and we tell him we can not discuss rates at all, and I think we are all agreed it would be very ill advised to give out any impression that any general overruling of rates was discussed at this conference.

Another sentence in his closing speech is as follows:

You can go back to your bank and, of course, tell your fellow directors as frankly as you choose what happened here to-day, but caution them to avoid any premature discussion of rates as such.

Mr. President, it is commonly known, I believe, and has been stated here on the floor time after time that some of the big financial interests, after this secret meeting of the Federal Re-

serve Board in 1920, got word of what was going to be done and what they might expect, and immediately took steps to float large bond issues and to make large loans to protect themselves against the very thing that happened a few months later, but the little business man, the farmer who produces the food products to feed the Nation, did not get any tip of any such thing and had to take the consequences when the panic struck in the fall of 1920.

I want to read just another little item in regard to what took place in that board meeting in May, 1920, in regard to rates:

Mr. UTTERBACK. I should like to ask one question in regard to rates. If New York should put on a 7 per cent rate, do not all rates have to finally be approved by the Federal Reserve Board?

Governor HARDING. Oh, yes.

Mr. UTTERBACK. Is it not the policy of the Federal Reserve Board to make all rates uniform in the district?

Governor HARDING. Not necessarily. All in a district?

Mr. UTTERBACK. I mean over the system?

Governor HARDING. Not necessarily. There is no obligation on the part of any district to have uniform rates.

That was the statement made by the President of the Federal Reserve Board, and they did not have uniform rates, either, during that so-called deflation. Oh, no; the rates varied, and they varied considerably. In New York, I am told, the rate was 7 per cent, but down in Georgia and Alabama and some of the other agricultural districts the rates were as high as 87½ per cent. That is some difference—80.5 per cent difference—authorized by the Federal Reserve Board, and yet now we are asked to strengthen that board and give it more power.

Mr. HEFLIN. Mr. President, if the Senator will permit me——

The PRESIDENT pro tempore. Does the Senator from North Dakota yield to the Senator from Alabama?

Mr. FRAZIER. I yield.

Mr. HEFLIN. In New York they never charged higher than 7 per cent, and rarely even 7 per cent. They loaned money to the speculators there at 5 per cent, 5½, and 6 per cent, but never got above 7 per cent in New York.

Mr. FRAZIER. During the time of that deflation money was loaned by some of the great banks in New York, through the Federal Reserve Bank of New York, to speculators at lower rates of interest, which varied undoubtedly from 5½ to 7 per cent, and perhaps a little higher in instances, and they loaned more money than was loaned in dozens of States out in the agricultural districts to the farmers and business men there to help save their crops and to keep them from being driven out of business.

When the Federal reserve system was being organized and "put across" it was the boast of those who favored the measure that it would, if passed, prevent panics and would stabilize the credit of the Nation. Well, perhaps it did stabilize the credit of the Nation, because the credit of the Nation was turned over to the little group of Federal reserve bankers. The credit of the Nation was stabilized all right.

President Lincoln, as history records, was against a central bank; he was against what is known as the national bank system at that time. It is recorded when, in order to get credit to carry on the Civil War to a successful finish, President Lincoln was forced to sign the banking bill that was passed and put up to him at that time he signed his name to that banking bill, then threw his pen down and said: "I will settle with these gentlemen after the war is over." Unfortunately he never had a chance to settle with them. I want to read a little statement made by Mr. Lincoln at that time. He was speaking of the general situation:

It—

Referring to the Civil War—

has been indeed a trying hour for the Republic; but I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. As a result of the war corporations have been enthroned, and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all the wealth is aggregated in a few hands and the Republic is destroyed. I feel at this moment more anxiety for the safety of my country than ever before, even in the midst of the war. God grant that my suspicions may prove groundless.

Those were the words of the Great Emancipator; those were the words of the man who, I believe, is generally and universally considered the greatest man that America has ever produced. How apt were his words! How well has been fulfilled the prediction he made at that time, at the close of the Civil War, that wealth would be aggregated in fewer and fewer hands! For now the money power is getting control; a central banking system has been "put across" by the Federal reserve system, and is now being strengthened by this bankers' relief bill.

Mr. President, Lincoln predicted that the Republic would be destroyed by this very banking system that we are promoting and fostering at the present time. Fortunately that prediction has not as yet come true, and I trust that the voters of this great Nation will wake up before it is too late and take the control of the banking situation out of the hands of the specially privileged few who apparently are so selfish that, in order to gain their ends, they would even disrupt the Republic itself, as Lincoln predicted.

Mr. President, coming back to the deflation that started in 1920 by the action of the Federal Reserve Board under Governor Harding, I desire to say that there is no question but that the prices of farm products and the prices of farm lands were deflated by some $30,000,000,000, according to the best estimates by economists who have studied the situation, and who, I believe, know what they are talking about. At that time, however, these same reserve banks were making immense sums of money in the way of interest which was put into reserve funds, profits, and so forth, and some little of it was turned back to the Government under the law. As to the amount turned back to the Government under the law, however, I believe that the people paid a mighty high collection fee for the little that was paid into the Treasury under the Federal reserve banking law.

Furthermore, the Federal Reserve Board, apparently in order to keep down the amount of money that should be turned back to the Government under the law, raised the salaries of their employees to such an extent that in one instance at least a salary of $50,000 a year was paid. Undoubtedly their intention was to raise more of those salaries to similarly high levels, but sentiment against it became so strong that they had to recede a little and had to reduce some of those high salaries.

They also spent millions of dollars in the equipment of Federal reserve bank buildings in the 12 districts. Of course, New York is entitled to a mighty fine bank building for its Federal reserve bank, but when it comes to spending some seventeen or eighteen millions dollars, which is more than the National Capitol building cost, it hardly seems right, though we realize that New York is entitled to a great deal and that the Wall Street bankers are entitled to great consideration and recognition.

A short time ago I happened to visit New York. In talking with a business man there, to whom a friend of mine had given me a letter of introduction, I told him, among other things, of the conditions out in the West and the problems that we were up against out there. He turned to me and said, "The trouble with you, Senator, is that you fellows out in the West are not willing to admit that you have got to come to Wall Street for your money, but you might just as well admit it; we have the money here, and you have got to come here if you want it." I replied, "Yes; I presume that is true, but there are some of us who object seriously to admitting that fact, and we are going to fight the situation just as long as we can."

Mr. President, if this bank relief bill shall be passed here to-day it will give the Wall Street bankers not a little more power but a great deal more power than they have at the present time or have had in the past.

The panic that occurred which bankrupted thousands upon thousands of farmers, whose prices went down so that they could not pay their debts, of course also bankrupted a great many banks out in the agricultural districts. The complaint is made by the proponents of this measure that a few banks, some 166, I think, the number is, have withdrawn from the Federal reserve system and taken out State-bank charters. A great point is made of the fact that 166 banks have left the Federal reserve sytsem and gone into the State systems of the various States of the Nation; but, Mr. President, the same gentlemen who are alarmed at that situation apparently take no cognizance of the fact that several hundred national banks in the agricultural districts have failed and gone out of business, thus imposing the hardship not only upon the bankers but upon their depositors and the community. I have no more sympathy for the banker than for anyone else who goes broke; but the sad part of it is that when the banker goes broke he carries into bankruptcy with him many other people who had confidence in and who had placed their savings in his bank. Several hundred national banks that had been members of the Federal reserve system have gone broke during the past few years.

North Dakota had a member of the Federal Reserve Board who sat in the conference at Washington in May, 1920, Mr. Wesley McDowell. He made quite a fine speech, according to the minutes of the meeting, protesting against the increase in

rates of interest and discount and protesting against the deflation. That poor little banker has since gone to the wall; he is broke and out of business, along with many other bankers throughout that section.

Mr. President, it seems to be the policy of the Federal reserve system, as it is controlled and administered at the present time, to get rid of many small banks. Those in control of the system have been dissatisfied with the State banking laws in some of the States; they have felt that the State bankers have had a little the best of it under some of the State laws, especially in the way of branch banking. So now they want to have a law passed that will allow national banks to have branch banks in the States which allow State banks to have branch banks. That would not be so bad if they would stop there, but they did not want to stop there; and they struck out the Hull amendments. They want general branch banking. That is what the Federal reserve system wants, and there is no getting away from it. I think there is no question but that is what they want. And, Mr. President, if this measure shall pass, how easy it will be for the powerful organization known as the American Bankers' Association, which has unlimited money, in fact, money is the cheapest thing it has—much cheaper than principle or anything of that kind—backed by other powerful organizations throughout the Nation that are affiliated with it and are under obligations to it and do not dare say their souls are their own when they are told to toe the mark by the American Bankers' Association—how easy it will be for that organization to send representatives into any State in this Nation where there is no general branch banking to-day and inaugurate a campaign for branch banking laws in such States.

Oh, it is said the bankers are not in politics and the American Bankers' Association is not in politics, but, Mr. President, I know differently. I have had some experience along that line myself in North Dakota. The bankers have been in politics out there, and the bankers in the East, even the American Bankers' Association, have taken part in politics in North Dakota. The bankers of Wall Street, New York, and in the other big cities have taken part in politics in North Dakota, in South Dakota, in Minnesota, and in other States in the West where progressive measures were being advocated. How easy it will be for them to put on a campaign and "put across" this branch banking law in the various States of the Nation that do not have branch banking at the present time.

This bill is a step toward general branch banking. There is no doubt about that, in my mind; and I believe that that is the consensus of opinion of those who have studied this measure and who are not in some way under obligations to the present banking system.

Mr. President, I wish to quote just a paragraph or two from an article in the Dearborn Independent against the McFadden bill, written by Western Starr, a newspaper man of this city, who is well informed and who is one of the most reliable writers, I think, we have in the District. The Dearborn Independent, I understand, never publishes any article, regardless of what it is or on what subject it is, unless it has the approval of the man who is the editor of that publication, and of Mr. Ford himself.

As far back as 1841, John C. Calhoun, discussing a monetary measure, said on the floor of the Senate:

"If this body, instead of being a Senate of the United States, was a deputation from Wall Street, sent here to arrange the details of the measure, we would not be at any loss to understand why they are arranged as they are. No wonder, then, that Wall Street should shout and clap its hands for joy on its passage through the other House."

Mr. President, it seems to me that that statement of the great statesman, Calhoun, in his time is most applicable to the present situation. If the Senate of the United States, instead of being the United States Senate, instead of representing the various States of this Nation and the people of this Nation, were a deputation from Wall Street, we could easily account for this relief measure from the big bankers to-day.

Mr. President, the Members of this body are supposed to represent various States of the Nation, two from each State—yes; they are supposed to represent the State and the people too, of course, and the welfare of the Nation as well—and yet we are asked to support and vote for a measure that will put more power into the hands of the little group of men that now control the financial affairs of the Nation, for their own benefit and to the detriment of the people.

If this measure passes, it seems to me that any little country banker who is a member of the Federal reserve system will be unable to say his soul is his own. He will be dictated to absolutely as to just what he must do, just what terms he must make on loans.

Oh, yes; under this measure they are going to make loans on real estate up to 50 per cent of its valuation. Yes; for how long? For not to exceed five years! How much help will that give to the farmer—a loan for five years?

Why, Mr. President, it has been the history of farm loans, not only in the past few years but, generally speaking, in the past as well, before the war, that when the loan was due the farmer went to the bank and asked for a renewal of that loan, and oftentimes he had to include the accrued interest on the loan in the principal of the new mortgage. Now they want to make it not more than five years, so that the farmer will be tied up hand and foot. He can not say his soul is his own, either, and he will be influenced to vote just as the banker tells him to vote; and the little banker is going to get his instructions from the big fellow who has some connection with the Federal Reserve Board of the whole system.

Mr. President, I know it is useless to talk against this measure, because the machine is all greased and everything is ready; the skids are in place and everything is ready to slide. There is no doubt about that, Mr. President. They have the majority here—oh, yes! We have talked sometimes about a coalition of the "regulars" on each side of the Chamber, and another coalition is on right now. Oh, yes; we have to make trades, you know, in order to get this machinery greased and these skids placed just right, so that things will slide just right. Oh, yes; they had to make some concession to the friends of the Federal reserve bank on the other side, who feel that it is their child, you know, and want to do something especially to perpetuate the charters, although the charters do not run out for some eight years. They wanted to get their votes; and I understand that the very able Senator from Virginia [Mr. GLASS], who is especially able in dealing with banking questions, insisted that that amendment should go on this bill before it would be supported by him or other Democrats on his side of the Chamber.

Mr. President, I believe I am safe in saying that after this vote is taken, after the people understand what it means, the Senators on each side of the Chamber who support this measure will be explaining their votes, and have a hard time in explaining them, too.

Mr. WHEELER. I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. GEORGE in the chair). The absence of a quorum having been suggested, the Secretary will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	George	McMaster	Shortridge
Bayard	Gerry	McNary	Simmons
Bingham	Gillett	Mayfield	Smith
Blease	Glass	Means	Smoot
Borah	Goff	Metcalf	Stanfield
Bratton	Gooding	Moses	Steck
Broussard	Gould	Neely	Stephens
Bruce	Greene	Norris	Stewart
Cameron	Hale	Nye	Swanson
Capper	Harreld	Oddie	Trammell
Caraway	Harris	Overman	Tyson
Copeland	Harrison	Pepper	Underwood
Couzens	Hawes	Phipps	Wadsworth
Curtis	Heflin	Pine	Walsh, Mass.
Dale	Howell	Pittman	Walsh, Mont.
Deneen	Johnson	Ransdell	Warren
Dill	Jones, Wash.	Reed, Pa.	Watson
Edge	Kendrick	Robinson, Ark.	Weller
Edwards	Keyes	Robinson, Ind.	Wheeler
Ernst	La Follette	Sackett	Willis
Fess	Lenroot	Schall	
Fletcher	McKellar	Sheppard	
Frazier	McLean	Shipstead	

The PRESIDING OFFICER. Eighty-nine Senators have answered to their names. There is a quorum present.

Mr. SHIPSTEAD. Mr. President, I realize fully that there are and have been for some time enough votes to pass this bill. I want to state also that I realize fully that what little I may say upon this occasion will not change any votes. I do not want the bill to pass, however, without having the RECORD show that I made some observations in protest.

The newspapers have carried information that an agreement was made between certain members of the farm bloc and the sponsors of this so-called banking bill. If such an agreement was made, I hope it included the signing of the two bills by the Chief Executive. I am sure that the banking bill is going to be signed. I hope the farm relief bill will also be signed.

The pending bill went through the Senate last summer, and, as usual, at that time when it was discussed upon the floor of the Senate we had assurances in the cloak rooms, as we often have, that if certain parts of the bill were not discussed the House would insist upon certain provisions that they had inserted in the bill.

The bill started upon its journey through the legislative channels as a rather inoffensive, innocent bill. It did not seem when it was first introduced to provide for very much of anything. There were some little privileges granted to national banks. All the little bankers seemed to be for it. In fact, some considerable propaganda was carried on, particularly by the small bankers of the country, in favor of the bill, until it was piloted through the House and came to the Senate, and then the very thing the small banker wanted was taken out of the bill, some things which the small banker did not want were put into the bill, and now the shoe seems to be entirely on the other foot, because the small banker is beginning to find out where he stands.

Under the cloture rule there is not time enough to discuss this measure in the manner in which I should like to discuss it and at the length I would like to discuss it. I am frank to say that I wish the Senate and the House had taken time to write a real banking bill, that would have remedied some of the defects of the banking system which have been revealed by the history of recent years, instead of fastening such a measure upon the country, without change in the essentials, and the elimination of some of the very dangerous things in this financial banking system. The pages of history all too plainly show to those who will read, and so plainly that the blind can see, for what purpose this financial oligarchy has been used.

The Department of Agriculture has made the assertion that the agricultural interests of the country were deflated to the amount of $18,000,000,000, and while that process was going on, the American people were told that the agricultural market broke because we could not export anything. As a matter of fact, the records show that during that period of deflation we were exporting three times more agricultural products than we ever did before the war.

Out of the crop of 1920, during the marketing of which the wheat market broke because, we were told, we could not export anything, we exported 366,000,000 bushels of wheat, including flour, and that was three times more than we ever exported before the war.

The other day, in making a few observations on the farm relief bill, I gave the records of the exports of 18 of the major agricultural products for the year 1923. Inadvertently there were not included in the record with those remarks the figures of the exports of grain for the years 1920, 1921, and 1922, the three years when the farmers were going bankrupt, particularly the grain farmers, because we were told we were not exporting any grain. What does the record, as revealed by the Department of Commerce and the Department of Agriculture, show? In 1920 we exported 219,000,000 bushels of wheat, in round figures; in 1921 we exported 366,000,000 bushels of wheat; and in 1922 we exported 279,000,000 bushels of wheat.

In view of this great demand for agricultural products from the United States, what was the reason the agricultural market broke? It is not true that it broke because we were not exporting anything. I am not going to take the time now to go into the history of the transactions of the Federal reserve banking system. It has already been stated upon the floor of the Senate. But the calling of agricultural loans, the denying of credit at the proper time to agriculture, led to the break in prices that started agriculture down the road to bankruptcy.

The Federal reserve banking system, we were told, was established in order to put a check upon credit extension to speculation. During the time agriculture was breaking, due to the calling of loans, the speculators could get money to buy the Liberty loan bonds that were forced out of the hands of the American people, who had patriotically bought them for a hundred cents on the dollar. To show who could get loans, and the kind of people who were not deflated at that time, let me quote from an article written by a broker by the name of John Le Fevre in the Saturday Evening Post of August 30, 1924.

On page 82 he quotes a New York banker:

> Then the banker went on to tell how right after the war a small group of men in New York made $10,000,000 out of a speculative deal. The men to whom he referred bought $100,000,000 of Liberty 3½ per cent bonds. To do this they borrowed from the Federal reserve bank 80 per cent of the value of the bonds; they had gone down over 10 per cent since their issue. Panic conditions prevailed.

Of course, panic conditions prevailed. The people who had bought those bonds had to sell because their loans were called. They had to raise money somehow to pay their notes, and very often the only thing they could sell were these Liberty bonds. I continue to quote from this New York banker:

> The little group of New York men went about their business sanely. They took all the offerings around 90 until they had bought over $100,000,000 par value. These men were multimillionaires, and they had to pay the highest-bracket surtaxes. By buying tax-exempt Liberty 3½'s they did not have to pay any income tax on the interest they received from their hundred and odd millions. In addition to this, they deducted from their taxable income the interest they paid to the Federal reserve bank on the eighty-odd millions of dollars they borrowed to buy the bonds with.

Then he goes on to say:

> The law provided for precisely such cases. When the price went up the syndicate sold enough bonds to pay for the bonds they kept for permanent investment. The total profits were in excess of $10,000,000.

The transactions showing loans that were given to speculation in those days and the loans that were called, loans for production that were called, are too extended for me to cover this afternoon. No one now has the effrontery to deny that we had a deflation of agricultural interests. No one now denies that the Federal reserve banking system is to blame. We have come so far that those who have been denying that fact now will say that it was a mistake; that they did not know any better; that they got scared and thought they had to do something. To admit that is to admit that this powerful machine, with its tremendous economic power of control of the finance and the credit of the country, is under the dictatorship of the stupid and the American people have had to pay a terrible price.

I want to read from the hearings before the Committee on Banking and Currency on the pending bill some of the testimony that was introduced, in order to show the condition that has prevailed, facts that we must face, which we can not escape even if we pass this bill. The American people must remember the history that is revealed in the banking records and the financial records and the bankruptcy records of the past eight or nine years.

We have the testimony here of a man by the name of Willis. I hold no brief for Mr. Willis, but it is interesting to know who he is in order that we may know whether his testimony is worth anything or not. In introducing himself to the committee, before giving his testimony, he said:

> Mr. Chairman and members of the committee, the reason for my appearing here this morning is a twofold one. I have been interested a long time with the subjects dealt with in H. R. 2, which is before you, and in a number of other bills that are now pending before one or the other Houses of Congress. I served for two years as expert economist for the House Banking and Currency Committee during the period of the preparation of the Federal reserve act. Then for four years I was secretary of the Federal Reserve Board, and for an additional four years director of research of the Federal Reserve Board, and then for a short time prior to my resignation from the system in 1922 I was consulting economist of the board.
>
> During that time the questions which are dealt with in the McFadden bill were almost continuously before Congress, and in one way or another before the Federal Reserve Board, so that I have for a long time had a very keen interest and some contact with those questions.
>
> The immediate reason for my appearing, however, is the fact that about eight months ago I was asked by a group of bankers to make a careful survey or investigation of the general contemporary banking situation in the United States as a whole. Since June, 1925, I have been actively engaged in making that inquiry, and during that time I have expended, in making this investigation, between forty-five and fifty thousand dollars, which has been supplied by the bankers who requested me to make the inquiry. That investigation was made at their request as a general study without instruction as to what to look for, and, of course, without indication as to what they wanted to have found. Nevertheless, as I say, the inquiry has been carried on at their cost, and I wish to make a record of that at the outset, and to say that, of course, the vouchers, checks, etc., with respect to the expenditure of money are at the service of the committee if they desire to see them.

Time will permit me to call attention only to a very few of the significant facts brought out by this investigation. I want to say that not only did Doctor Willis conduct a very comprehensive investigation of the banking and credit system in the United States, but he was authorized and given the funds to employ a large corps of experts to work with him. As a result of his investigation we have some figures, set out on pages 70 and 71 of hearings before the Senate Committee on Banking and Currency, showing that from 1920 to 1925 more than 3,500 banks, with total resources of more than $1,500,000,000, closed their doors. Ninety-five per cent of the banks so closed were in agricultural communities. Most of them were small banks. It has been stated by some that they were closed because they did not belong to the Federal reserve system. In the Northwest the percentage of national banks that have closed is as high as the percentage of State banks. The State banks which have closed are greater in number because there are more of them.

But I want to call attention to what has been said about the small banks. It is said that the small bankers do not know how to conduct the banking business. It is said that they are

not bankers and do not know how, and that is why their banks had to close. I call attention to the fact that many of these men conducted a banking business for 25 to 40 years. Did they become inefficient all at once? It is said they are not honest. Did they become crooks all at once? Was it an accident or were these bank failures, running into the hundreds of millions of dollars in resources, the result of a cause? I submit to the people who say it was only the small banks that went broke, what would have happened to the large banks connected with the Federal reserve system if the Government of the United States had not formed a corporation, which had practically all of the powers of a Government banking corporation—the War Finance Corporation—with millions of Government money to go out in the larger centers and help out the big banks and relieve them of their frozen assets. Otherwise they would have gone out of business with the small banks. Anyone who knows anything about the situation knows that to be true.

The Federal reserve system absolutely broke down, and the Government had to step in and meet the situation, but they only saved the big banks. Nobody will deny that.

As the result of this investigation, Mr. Willis made some statements showing what his conclusions were as to the cause, in large measure, for those bank failures. Let us first establish, if we can establish it, whether or not there was a financial panic. I find on page 103 of the hearings that Mr. Willis said this in regard to H. R. 2:

> H. R. 2 seems to me to be a bill, just as this one, to conserve the existing small-banking situation in the country.

He was then talking of the bill as it came over from the House. When he said it was "to conserve the existing small-banking situation in the country" he was not talking about the bill now before the Senate. He said further:

> If that situation is to be conserved it undoubtedly ought to be relieved of its defects, and Congress, it seems to me, should do what it can to endeavor to curb them.

Then he went on to state what he found as an experienced economist and banker, and as the result of this investigation to be the cause of the bank panic throughout the agricultural areas of the United States. Among other things he said:

> The cause of bank failures is the fact that our banks are unsatisfactorily and inadequately examined.

I think that is to some extent true. It is a question in my mind if Congress is not to blame for that state of affairs, because Congress to my knowledge has given the Comptroller of the Currency no power to enforce any kind of efficient management upon any banker conducting a national bank under the national banking act, except to deprive him of his charter. Of course, there are certain provisions as to certain classes of paper, as, for instance, section 5200, and so forth; but there are many ways of inefficiently managing a bank and still coming within the provisions of section 5200. That is why I think a real banking bill should have been written, providing among other things for a more careful examination and management of national banks. He said:

> I have no doubt that the superintendents of the banks are for the most part careful, capable, and well-intentioned and, in many cases, high-minded men, who are doing the best they can with very limited resources at their disposal. But whatever the reason may be it is a fact that they are not getting the results and that the examination of small banks throughout the country, and especially since the great multiplication in number, has been inadequate.
>
> And now in the third place—and this has a rather important bearing upon H. R. 2—the Federal reserve system, by which I mean the management of the Federal reserve banks, is greatly at fault in the matter of these bank failures. It was in the beginning said by some unwise advocate of the Federal reserve system that it would absolutely end bank failures; it was an absolute simon-pure remedy for bank failures. Now, as a matter of fact, as I have just said, we have had more bank failures and more bank-failed assets under the Federal reserve system than we ever had before; and the question may properly be raised as to whether that is in any way related to the Federal reserve system as such. The reserve system was based on a very careful analysis of discount commercial paper, each paper standing on its own feet and being estimated on the basis of its own merit. Instead of that, it is becoming the practice of our Federal reserve banks in the Mid West, Southwest, and Northwest to lend heavily upon collateral and to take collateral for the protection of paper which is technically eligible but about which they are entirely uncertain as to its quality. That is not a matter of conjecture, because it has been testified to before a congressional committee, especially by Gov. J. Z. Miller, of the Federal Reserve Bank of Kansas City. Mr. Miller at that time had little to say on the subject, and he has explained his position on page 739 and following of the agricultural inquiry under Senate Concurrent Resolution No. 4, published in 1922, volume 3.

Then Mr. Willis continued further:

> In addition to that we have the further fact that pretty nearly all the investigators who have looked through the situation in recent years have come to the conclusion that there is an erroneous credit policy existing; so that, in my opinion, it is regrettably true that the Federal reserve system has not repressed bank failures but in a number of cases has created conditions that tended to aggravate them.

Mr. President, there is not time to go into any extended discussion of a matter that is merely controversial, that has to do with what may be called a proper credit policy for a great country. I think it is an established principle adopted by economists and bankers that credit should never be extended to speculation, that the legitimate extension of credit should at all times be for production and never for speculation or for luxury. Capital for luxury and speculation should come out of savings or capital account, and never out of credit account.

What is the history of the last few years of the credit policy of the United States? I do not know how many of the automobiles sold in the United States are used for production, but since large groups of financial interests in New York bought, for instance, General Motors, the banking credits of the country have been thrown back of that industry. Almost anyone can buy an automobile on credit. It is extending credit to waste and not to production. That is one instance to which I will point as an abuse of the control of credit—the extension of credit to waste and consumption instead of for production.

On page 104 Doctor Willis was asked the following question by the Senator from Virginia [Mr. GLASS]:

> You said awhile ago that it was contended by the proponents of the Federal reserve system that it would stop bank failures. I never heard that before. It was contended that it would stop financial panics, and it did.

To which Doctor Willis replied:

> Yes; that depends on your definition of financial panics. We had an equivalent financial panic in 1920 and 1921, with larger business failures in those years than ever before. If a man is going to die, it does not make much difference whether he dies of typhoid fever or smallpox. So, whether that was a panic or not, you have the same result.

It seems to me in view of the record of commercial, agricultural, and financial losses, which history more and more from day to day reveals has been due either to wrongful acts or an abuse of the control of the credit and banking facilities of the United States that Congress would have done well, would have served the country far better, if it had conducted a comprehensive investigation into the history of the operations of the Federal reserve system in order that we might have learned how to change our banking laws so as to prevent catastrophe in the future. If it was the result of stupidity of men in control we ought to know it. If it were done deliberately we ought to know that too. We pay the price and we ought to get the information.

In 1924 we had an entirely opposite transaction take place. It is very interesting to remember the situation in the spring of 1924. The Federal Reserve Bank of New York, I think, on the 1st of May, cut its rediscount rate from 4½ to 4 per cent. For some days there had been rumors that the Federal reserve bank was going to cut its rediscount rate, and as the result of those rumors the stock market, which had been very low for a long time, started to go up. When the Federal reserve bank, on the 1st of May, finally cut its rediscount rate from 4½ to 4 per cent, the stock market began to jump immediately. Prior to that time the Federal Reserve Board had issued a ruling which made possible the tapping of these vast reservoirs of credit which belonged to the American people to begin the floating of foreign loans with which to irrigate the barren financial fields of Europe. During the summer of 1924, in the month of June, the Federal reserve discount rate was cut from 4 to 3½ per cent, and in August it was cut from 3½ to 3 per cent. The stock market kept going up. Call money went to 2 per cent, and loans to brokers in the New York district rose $700,000,000 before Christmas, and in another year had gone above $3,000,000,000.

Within the space of about six weeks the shares of 200 corporations increased in value more than $3,000,000,000. That was due to speculation and to the inflation of the credit system of the country, aided by the Federal reserve banks which threw $1,100,000,000 of reserves into the financial district with which to buy Liberty bonds held by investors so that money could be released to go into the stock market.

Ever since that time there has been a make and break stock market following the calling of loans, the boosting of interest rates, and then the issuing of credit again for speculation. When the right and proper time came, when the "lambs" were ready to come into the fold and be fleeced, they could always borrow more money if they had some collateral to put up. Yet that is the very condition which we were told when it was originally passed the banking act would prevent. As a matter of fact, loans to brokers have increased enormously since the passage of the Federal reserve act. We have not succeeded in stopping the flow of credit to the speculative markets, and if we have not succeeded in doing that, if it is desirable to do that—and it has been admitted for years that it should be done—why should not the Congress of the United States, in its wisdom, try to find some method by which it may be done, and pass some kind of a banking act to provide that the credit reservoirs of the Nation shall be used and extended to legitimate business at all times, not only when it is desirable to have a boom but at such times of crisis as we had after the conclusion of the World War? At such times is when the Federal reserve system is needed. It is always in a time of crisis that the banks need their reserves; but when the crisis came following the war the banks in the agricultural areas could get no relief; their collaterals were cut in two by the calling of loans, a restrictive policy was put in force as to agricultural products, and, of course, they had to go broke.

It makes no difference how honestly or efficiently a bank is conducted, when its assets have been arbitrarily cut in two within two or three months, where is there any bank that can stand up under those conditions? It is begging the question to say that the bankers in the agricultural sections do not know how to run banks. I should like to see the man who can run a bank and keep it solvent under such conditions as I have mentioned, unless he happens to play in particularly good luck and happens to be more than any ordinarily conservative. I admit that some bankers took much real-estate paper which they had no business to take. I am talking, however, about conditions in general, for which there was some definite cause.

There is not opportunity now, in view of the time limit on the debate, and on account of my physical condition this afternoon, to go into the subject as I should like to do, and I find it necessary to cut my remarks short. I have felt, however, that I did not want this bill to pass without the RECORD showing my position regarding it. I think the time will soon come when the business interests, the agricultural interests, and a great many bankers of this country will insist that there shall be a new banking law enacted by the Congress of the United States.

I want the RECORD also to show that I protested against the extension of the Federal reserve bank charters indeterminately. That is a question which it is legitimate to bring before Congress, but that subject should stand on its own feet; it should not be brought in as a tail to the kite of a so-called branch banking bill. The question of whether or not we should enter upon a policy of branch banking throughout the country, which inevitably, in the long run, will destroy the independent banker is so big, and involves so many grave consequences for the future welfare of the country, that the Congress would have done well to consider that proposition by itself; it should come into this Chamber standing on its own feet.

Mr. President, this bill is a patchwork. I do not want to question the motives of anyone, but originally the bill was introduced as a vehicle to carry through the channels of legislation some other proposals that were going to be piled onto the wagon. I do not say that any Member of this Chamber or of the other House was a party to any such scheme, but, as the bill was originally introduced, it was apparently an inoffensive and unimportant bill. It seemed to give a few crumbs to the smaller bankers who appeared to want it, but now when they are beginning to find out where it is going to place them they are against it. Some may say that is not an argument against the bill. It involves, however, the question of whether an independent banker, so far as there is now any independence in the financial field, may continue in the operation of his independent business, serving his local community, be it agricultural or industrial, or whether the banking credits of this country shall be concentrated progressively as time goes on into fewer and fewer hands until the system as thus administered succeeds entirely in eliminating the small banker. When that time comes we will have banking on the principle of the absentee-landlordism of Europe in the olden days. I think, Mr. President, that is a question that ought to be discussed very carefully.

It has been said we must give the national banks an opportunity to compete with the State banks. I think the question of competition has entered entirely too much into the debate on this bill. I think there has been too much competition between State banks and National banks, and that is why so many of them have closed their doors. We ought to be more interested in establishing a sound and safe banking system and in inspiring faith in a sound banking system, for, in the long run, the bank which can assure the people of any neighborhood or any community that it is conducted on sound and safe principles in the end will be the most profitable bank. If we follow the principle which has been inaugurated in this measure of what is called liberalizing the banking laws, we are going to remove all kinds of restrictions after a while, and there will then be no safeguard at all for the depositor and for the business interests which should be served by legitimate and proper banking. There must be a limit to liberality so far as restriction on trust funds held in banks is concerned, and I consider deposits to be trust funds. Such credits belong to the American people; they do not belong to the bankers; the bankers only use them.

Much has been said about helping the banker. The banker is entitled to his profit and his hire, but back of the banker is the question of protecting the American people, and under this system it has been shown that at least so far as agricultural communities are concerned they have not had any protection. As a matter of fact, they have been wrecked.

It is very significant that cloture has been invoked in the Senate of the United States, to the best of my knowledge, on only three occasions—twice upon questions involving entangling the Government of the United States with the political systems of Europe and the third time to force this banking measure through. I am frank to say that I think a vote could have been had upon this bill without invoking cloture. I think it would have come with better grace and a better record would have been left for future generations when they shall come to read the RECORD dealing with the consideration and passage of this bill.

Mr. WHEELER. Mr. President, I shall consume only a very short time in speaking upon this bill this afternoon; but before a vote is taken I am desirous of pointing out to the Senate how much misunderstood this bill has been, even by members of the Banking and Currency Committee itself. I know it is not understood by other Members; but to illustrate how the bill has been misrepresented in this body I desire to call the attention of the Senate to this statement:

The Senator from Nebraska [Mr. HOWELL] was speaking. The Senator from Connecticut [Mr. MCLEAN] said:

> Before the Senator leaves the subject of the Bank of Italy, which, I understand, is probably as glaring an illustration of branch banking as we have in this country, I should like to ask him what he thinks that bank would do—it being now, as I understand, a member of the Federal reserve system—if the Hull amendments, which I understand the Senator favors, should be adopted? In that event the Bank of Italy would have to divest itself of its branches outside of its home office. I should like to ask the Senator what he thinks that bank, which has been so successful, would do?

Then I desire to call the attention of the Senate to a colloquy between the Senator from Virginia [Mr. GLASS] and myself, in which the Senator from Virginia said:

> I would like to call attention to the fact that there is another important provision of the bill which the Senator from Montana seems to have overlooked, and I would like to get his reaction to that. The section which he has read and stressed does say precisely what he said it does:
>
> "If the State bank is hereafter converted into or consolidated with a national bank."
>
> "If" it is converted. The question arises right there how such consolidation or conversion may take place. I refer the Senate to section 3, page 2, of the committee print of the bill, which says:
>
> "That any bank incorporated under the laws of any State or any bank incorporated in the District of Columbia may be consolidated with a national banking institution"—
>
> Where?
>
> "located in the same county, city, town, or village under the charter of such national banking association."

So that the RECORD may be kept straight on this matter, I desire again to call the attention of the Members of the Senate to section 5155, paragraph (b), which reads as follows:

> If a State bank is hereafter converted into or consolidated with a national banking association, or if two or more national banking associations are consolidated, such converted or consolidated association may, with respect to any of such banks, retain and operate any of their branches which may have been in lawful operation by any bank at the date of the approval of this act.

That section deals with the conversion of State banks into national banks. Section 3, to which the Senator from Virginia called my attention, provides—

That any bank incorporated under the laws of any State, or any bank incorporated in the District of Columbia, may be consolidated with a national banking association located in the same State, county, city, town, or village under the charter of such national banking association—

And so forth. Consequently, I say that the provision with reference to the conversion of State banks into national banks is not in any way, shape, or form modified by the provisions of section 3 of the national banking act. Section 3 of this bill does not deal with converted State banks; and so we have the situation that in the event the Bank of Italy in the State of California desires to retain its State branches, although the State may prohibit it, it can go ahead and convert into a national bank, and continue its branches in violation of the wishes of the people of that State. Likewise, branch banks in the State of California or in the State of Georgia can convert into national banks, and, notwithstanding the fact that the people of those States may pass laws denying the privilege of branch banking in those States, they can go ahead in direct violation of the State laws.

We hear a great deal about State rights upon this side of the Chamber and upon the other side of the Chamber. Senators get up here and say: "I am against prohibition because it violates State rights." They say: "I am against the milk bill because it violates State rights." They say: "I am against this bill and I am against that bill because they violate State rights." Here, however, is a provision in this bank bill, advocated by a majority of the Democrats and a majority of the Republicans, which is violative of the principles of State rights just as much as any bill that has ever passed the Congress of the United States; and yet we do not hear an advocate of State rights get up here and denounce the bill because it is in violation of State rights. When we fasten branch banking upon a State, and say to that State, "You can not repeal branch banking after that, because we permit them to convert into national banks and then keep their branches," it is a clear violation of State rights, just as clear as anything that could possibly be enacted into law by Congress.

Again, Mr. President, the other day I called attention to the position taken by Mr. Dawes when he was Comptroller of the Currency and the changed position he took a little later. I called attention to the statement of Mr. McIntosh, the present comptroller, and the later statement with reference to him, which were clearly inconsistent. Now, I want briefly to call attention to the inconsistency of Congressman McFADDEN, who is one of the authors of this bill.

I have in my hand an article written by L. T. McFADDEN, chairman of the House of Representatives Committee on Banking and Currency. It is reprinted from the American Bankers' Association Journal of May, 1925. In this article Mr. McFADDEN says:

In my judgment, the time has come to demobilize the Federal reserve banks by repealing certain war-time amendments that clothed them with extraordinary powers to control credits. There should be a return to the old order so that reserve notes may be issued only against commercial paper in response to trade needs, for, under the present system, the reserve banks may issue notes against gold, thereby introducing a rigid element in our currency system, and, at the same time, acquiring the means for extending excess credits that American business does not need.

I quote further:

It is my intention to ask Congress, at the next session, to repeal the war-time amendments that have made it possible for the reserve banks to use the gold that is intrusted to them as the reserves of member banks to pyramid credit. Indeed, there is a substantial basis to-day for charging that the Federal reserve banks have saturated currency to the extent of $1,000,000,000 and have contributed to the glut of easy money and the resultant speculative movements.

Now, we find Mr. McFADDEN not only not asking for the repeal of these war-time provisions, which do the things that he says they do, but we find him coming here and advocating a measure which does, on the contrary, extend those provisions so that speculation may go on to an even greater extent.

I shall not take the time of the Senate longer this afternoon because of the fact that I realize what a hopeless situation it is even to attempt to argue the many features of this bill; but I am going to ask unanimous consent to amend section 3 on page 2 by inserting, after the word "with," on line 3, the words "or converted into."

Mr. McLEAN. Mr. President, that is clearly out of order. Under Rule XXII, no motion to amend is in order.

The PRESIDING OFFICER. The Chair understood the Senator from Montana to be asking unanimous consent to offer his amendment.

Mr. McLEAN. I will state to the Senator from Montana that I should be glad myself to ask for unanimous consent to give him an opportunity to propose any amendment he desires to offer. The Senator will remember that yesterday the Senator from Nebraska [Mr. HOWELL] had some amendments which were out of order because they were not read and printed under the rule; but the Senator must remember that if any amendment is attached to this bill it must go back to the House. That means that the bill is dead; and under those circumstances I must object.

The PRESIDING OFFICER. Objection is made.

Mr. WHEELER. I next desire to ask unanimous consent to strike out of subdivision (b) of section 5155, on page 13 of the bill, the following words in lines 1 and 2 of subdivision (b): "converted into or"; likewise the words "such converted or" in line 4 of subdivision (b) of section 5155.

Mr. McLEAN. For the same reason as stated to the Senator when he offered the preceding amendment, I must object.

Mr. WHEELER. I think the Senator from Connecticut [Mr. McLEAN] will agree with me that these sections as they stand to-day permit State banks to convert into national banks and thereafter retain those branches, regardless of whether or not the State involved passes a law forbidding branch banking. May I ask the Senator if that is not his understanding of the bill?

Mr. McLEAN. Undoubtedly amendments will be necessary at the next session of Congress. The Federal reserve law has been amended at every session of Congress since it was enacted, and probably other amendments will be necessary in the future. The Senator must understand that, so far as this bill is concerned, it must be taken as it is or it will be defeated, and I must insist that no amendments be made to the bill.

Mr. GLASS. Mr. President, will the Senator permit an interruption which is pertinent to that point?

Mr. WHEELER. Certainly.

Mr. GLASS. I do not exactly agree with the Senator from Connecticut that it will be necessary to make amendments to this bill. Of course, it will be necessary to make amendments to the bill if anybody wants to accomplish any purpose not involved in the bill——

Mr. McLEAN. I meant the Federal reserve act, as amended.

Mr. GLASS. I am talking about this bill.

Mr. McLEAN. The act will probably have to be amended at the next session.

Mr. GLASS. The Senator from Montana will concede that subsection (b) does not alter existing law, and that, under existing law, just exactly what is therein provided may be done to-day?

Mr. WHEELER. The Senator is asking me the question?

Mr. GLASS. Yes.

Mr. WHEELER. I think it can be done under this present law; but I am saying that, in my judgment, the law ought to be amended, because the authors of this bill are saying that this is a bill for the purpose of restricting branch banking.

Mr. GLASS. The Senator would not say, would he, that just because it does not restrict branch banking in every respect, therefore it does not restrict it at all? This is one respect in which it does not restrict branch banking. What the Senator says may be done hereafter in the States of South Carolina and California may be done now, and might have been done at any time within the last 50 years, under the national bank act; so that by this particular subsection (b) we merely do not alter that particular privilege to State banks and national banks which consolidate or convert. Is not that the fact?

Mr. WHEELER. I think that is correct; but the other day, when we were discussing this matter, the Senator from Virginia stated—and I read his remarks a moment ago—that this provision was limited by another section, which does not in any way limit or modify the provisions of subsection (b), pertaining to the conversion of State banks into national banks.

Mr. GLASS. We simply have not altered that particular feature of the law.

Mr. WHEELER. But I repeat that when the Senator made that statement the other day he was clearly in error.

Mr. GLASS. When I made the statement the other day I momentarily supposed that the Senator from Montana was referring to the word "State" in line 4, on page 2, which had been eliminated, so that incorporated banks thereafter, under the laws of any State, might retain their branches in any State, county, city, town, or village, and I thought the Senator was not aware of the fact that the word "State" had been eliminated.

Mr. WHEELER. I will say very frankly to the Senator that at that time I was not aware of the fact that the word "State" had been eliminated, because of the fact that I had not at that time, that morning, seen a copy of the printed bill. But the elimination of the word "State" does not in anywise change the bill with reference to the conversion of State banks into national banks.

Mr. GLASS. Let me call the Senator's attention to the further fact that if he will note on page 14, subsection (e), which is a related section, I think he will find something that in some measure meets his objection to existing law. It provides, with respect to converted or consolidated banks, that such banks may retain and operate any of their branches——

Mr. WHEELER. I am entirely familiar with the provision.

Mr. GLASS. Which may have been in "lawful operation" at the date of the approval of this act.

Mr. WHEELER. But let me say right there that, on the contrary, I do not think that in any wise limits it, because I think that very provision is going to be construed as permitting all of these tellers' windows to be operated as branch banks are now. My judgment about the matter is that these tellers' windows, which have been permitted heretofore by the Comptroller of the Currency, have been permitted to run absolutely in violation of the law.

Mr. GLASS. That being so, they are not in "lawful" operation.

Mr. WHEELER. But when we read another section of the bill as it is drawn at the present time we find that it speaks of branch banks and tellers' windows, and I feel quite certain that the construction that will be placed upon this bill by the courts will be this, that it is going to absolutely legalize every one of these teller's windows.

Mr. GLASS. Mr. President, I simply rose to point out that we have not incorporated in this provision anything of a new nature or authorized anything to be done that may not now be done under the national bank act.

Mr. WHEELER. Will the Senator allow me to ask him a question?

Mr. GLASS. Certainly.

Mr. WHEELER. Does the Senator think that at the present time there is any authority in law for tellers' windows?

Mr. GLASS. I am not a lawyer. If the Senator asks me my layman's opinion, I will tell him frankly, no, and I do not think the Attorney General should have rendered any such opinion. But I am not a lawyer. I do not assume to determine a matter of that sort. I will say to the Senator, if he will permit me, that if we were in a parliamentary status here now, where an amendment might not endanger the passage of this bill, I personally would not have the slightest objection in the world to making that alteration in existing law which his proposal involves.

Mr. WHEELER. That is the real trouble with this whole situation. I have not any desire to prevent a banking bill being passed which is, in my judgment, legitimate, cutting out some of the provisions that are in this bill, because I think the Senator from Virginia and I agree with reference to certain provisions in this measure with respect to the war-time amendments and the extension of certain other provisions. But they are in this bill.

Mr. GLASS. The "war-time provisions" are not in this bill. They are in the Federal reserve act. The Senator is quite right in assuming that I wish they were not in the Federal reserve act; but they are not involved in this bill.

Mr. WHEELER. Not those particular ones, but under this bill national banks would be permitted to go into the speculative investment business without proper restrictions. I would like to ask the Senator if he believes those provisions with reference to the amendment of section 5200 are wise and just?

Mr. GLASS. If the Senator will permit me, I will say that I think he is mistaken in that respect. I think he has been misled, for the reason that under existing law these identical investments have been permitted for a period of nearly 50 years; and I was assured by the Comptroller of the Currency not longer ago than day before yesterday that the national banks of the country now have in their portfolios an aggregate amount of $6,000,000,000 of these very investments, so that instead of enlarging that right it simply confirms the right with the severest sort of restrictions as to percentage and definitions.

Mr. WHEELER. I challenge the statement made by the Senator from Virginia. I know that he believes in it, of course, but I submit that he can not find any lawyer who has examined the act who will say that the national banks at the present time have any right to go into the investment business such as this act permits them to do. I know what the comptroller says——

Mr. GLASS. Let me say what I have to say, and not what the comptroller has to say. The existing law speaks of these investments as "other evidences of indebtedness," and the existing law has been construed by the authorities to mean that national banks may engage in this very business; and under that construction of the existing law they have for years engaged in the business, and the Comptroller of the Currency informs me that they have an estimated aggregate of $6,000,000,000 invested in this wise.

Mr. WHEELER. Let me say to the Senator that the way the National City Bank of New York is getting around this very provision at the present time is by having a national city company to do the very thing they are now asking that these banks be permitted to do. Likewise the Chase National Bank at the present time has a company which they maintain for the purpose of doing this kind of business. Now, under the national bank act, one can go to his national banker and ask him to buy so many shares of stock for him upon the stock market, and as a matter of accommodation the banker buys that stock as agent for the purchaser. This bill, I submit, permits a national bank absolutely to go out and buy and take over a whole issue of bonds or stock of any corporation that it wants to take over, and then to sell the bonds, to peddle them out just the same as a stockbroker would peddle them out. No other construction can be put upon it. Not only is that my interpretation, but I want to say that the man who had more to do with the drafting of the Federal reserve act than any other, Mr. Willis, who is the editor of the New York Journal of Commerce and Commercial Bulletin, and also a professor of banking and currency in Columbia University, has written a letter to the junior Senator from Utah [Mr. KING] in which he points out that very feature of the bill, and states that is what it would permit them to do, and that they have not been permitted to do it heretofore.

Mr. GLASS. Mr. President, not to prolong the debate, I observe that the Senator from Montana makes very convenient use of Doctor Willis. He agrees with Doctor Willis when Doctor Willis agrees with him, and he totally disagrees with Doctor Willis when Doctor Willis disagrees with what he advocates.

Mr. WHEELER. I am in accord with the Senator from Virginia in that.

Mr. GLASS. One of the primary objections that Doctor Willis has to this bill is the pivot upon which the Senator from Montana bases his entire opposition to this bill.

Mr. WHEELER. Not at all.

Mr. GLASS. In other words, Doctor Willis advocates statewide branch banking, and one of his primary objections to this bill is that it is too severe a restriction upon branch banking. And yet the Senator from Montana bases his primary objection to the bill on the point that it is a branch bank bill. Doctor Willis was one of the most vehement antagonists of the McNary-Haugen bill.

Mr. WHEELER. So was the Senator from Virginia.

Mr. GLASS. Yes; I agree with him there. He denounced it as a degradation of economics, and the Senator from Montana does not agree with Doctor Willis in that respect.

Mr. WHEELER. Let me state what I agree with him about and what I do not. I have said on the floor of the Senate that from an economic standpoint I doubted whether or not it was wise legislation, but I said it was not any more unsound economically than was a high-protective tariff, and that as long as we were committed to a tariff, whether a protective tariff or a tariff for revenue only, I feel that we are bound to enact a law of this kind in order to put the farmers upon the same basis on which we put the highly protected interests of New England and the East.

Mr. GLASS. I understood the Senator yesterday to take a much higher moral ground than that. He deplored the theory that because one set of people steal we ought to permit another set of people to steal.

Mr. WHEELER. Not at all. I took a high moral stand when they claimed that this bill should be passed because of the fact that certain States permitted State banks to go into gambling schemes now permitted in this bill.

Mr. GLASS. I agree with the Senator that that ought not to be permitted to any bank if it can possibly be avoided. Do I interrupt the Senator?

Mr. WHEELER. Go ahead; I am perfectly willing.

Mr. GLASS. There is just one more matter to which I want to call attention. The Senator spoke about the invasion of State rights. If ever a bill was conceived and its passage attempted which constituted a most shocking attempt at the invasion of the rights of the States, it was this bill as originally drawn and passed by another legislative body, because it

undertook by Federal statute to confirm banking privileges in 22 States which were perpetually thereafter denied to the banks in 26 other States. It would have brought about, to use a concrete illustration, this exact situation throughout the country. It would have confirmed the banks in the State of New York in existing privileges and it would have denied to the banks in the adjoining State of Pennsylvania by Federal statute just exactly those privileges.

Then, in another very important respect, I direct the attention of the Senator from Montana to the bill as it came from the House. It was a shocking invasion of the rights of the State banks of the country.

Mr. WHEELER. It is strange how many State banks wanted the bill with Hull amendments, if the Senator is correct.

Mr. GLASS. So much so that the State banks were utterly opposed to the bill until the Senate made a satisfactory adjustment of that controverted point. In other words, in some way of which I have no knowledge, at some time, there were dropped out of the original Federal reserve act certain words which constituted a guaranty to the State banks throughout the country that their charter rights might not be invaded; and the Federal Reserve Board, assuming legislative functions which it had no right to do, made regulations for the admission of State banks to the Federal reserve system which were not authorized by the act itself and were made under an interpretation of an exceedingly refined and dubious nature. The Senate committee, in the bill now before us, had restored those words, making regulations by the Federal Reserve Board subject to the provisions of the act itself. Not until these words were restored did the National Association of State Bank Superintendents come here and advocate the passage of the bill as amended by the Senate committee. So when it comes to respecting the rights of the States, when it comes to the question of preserving the charter integrity of State banks, the Senate bill is infinitely superior to the bill which the Senator from Montana is advocating.

Mr. WHEELER. I appreciate the fact that what the Senator said about the interference with State rights was the reason why so many Members of the Senate voted against the Hull amendment. They said it was an invasion of State rights and they were against it for that reason, and yet they leave in the bill a provision, section (b), which is just as much a violation of State rights as the Hull amendment ever was, or an invasion of State rights just as much as any bill that has ever been passed through this body.

Mr. GLASS. Of course, the Senator and I would never agree as to that, because I do not think anything could constitute an invasion of State rights such as was embodied in the Hull amendment; but at least the Senator is forced to admit that if subsection (b) is an invasion of State rights, it is an invasion which has persisted for 50 years under the national banking act, and it is no new invasion of State rights.

Mr. WHEELER. Yes; but why should the Senator be here protesting against the Hull amendment as an invasion of State rights?

Mr. GLASS. I am not protesting against the Hull amendment, because it is as dead as Julius Cæsar.

Mr. WHEELER. I know it is, because we have had cloture put on us and it has been killed, but it would not have been as dead as Julius Cæsar if we had not had cloture put on us.

Mr. GLASS. We did not have cloture on when the Senate originally voted, by 60 to 17, to strike out the Hull amendments.

Mr. WHEELER. Yes, I appreciate that; but I repeat what I said the other day. I venture the assertion there are not 80 per cent of the Members of this body who have read the bill or know anything about what is in the bill, and that is the trouble with it. I have protested against the passage of the bill in the closing hours of the session when the Members of the body, and even the members of the committee itself, disagree as to the interpretation to be put upon it. It is one of the most important pieces of legislation that has been passed in this body for a long time. The provision with reference to the Federal reserve banks, the extension of its charter, giving it an indefinite charter eight years before it expires at all, coming in here eight years ahead of time and tacking it on as a rider, is a thing I deplore about the bill. I deplore the fact that that matter has come in here as a rider. Not only am I voicing my own feelings about the matter, but I think every thoughtful writer in the country who has written upon the subject has agreed that that view is correct. Even, as I said, some of the most conservative journals in the country have protested against this provision being added as a rider on the bill.

I hold in my hand, for instance, one of the bibles of Wall Street, the Chronicle, which has an editorial reading as follows:

The action of the House of Representatives at Washington on Monday, in passing the McFadden branch banking bill with the Senate rider attached to it for extending in perpetuity the charters of the Federal reserve banks, and minus the so-called Hull amendment, can not be viewed otherwise than matter for the deepest regret, viewed in the light of what the action implies. The statement is true both as regards the Federal reserve rider and the Hull amendment. As far as extending the charters of the Federal reserve banks is concerned, the step denotes very hasty action with reference to a subject of vital importance bearing upon the future of the country's banking system, and which therefore should have careful and very deliberate consideration.

How much deliberate consideration has been given in this body to the recharter provisions of the bill?

Mr. GLASS. This much, I will say to the Senator, that it was debated here, it was debated for hours in the House of Representatives, and it was regarded as such an important feature of the bill that a separate vote was demanded on it in the House of Representatives. That vote resulted, upon a division, 298 in favor of the charter provision and 22 against it. The opponents of the charter provision could not muster enough Members to demand a yea-and-nay vote.

Mr. WHEELER. It is apparent we could not muster very much here after we had cloture put on us. I will continue reading the editorial.

Mr. GLASS. May I interrupt the Senator further?

Mr. WHEELER. Yes; the Senator may make my speech for me if he wants to.

Mr. GLASS. May I interrupt the symphony of it by asking the Senator from Montana if he insists upon our taking advice from a Wall Street newspaper? [Laughter.]

Mr. WHEELER. I will say this to the Senator with reference to that suggestion——

Mr. GLASS. And a Wall Street newspaper, I may add, which opposed bitterly the original enactment of the Federal reserve act.

Mr. WHEELER. Oh, yes; and I know it was denounced at their Boston convention; and yet a couple of years later they went on record as favoring it.

Mr. CARAWAY. Mr. President, may I ask the Senator a question?

Mr. WHEELER. Certainly.

Mr. CARAWAY. If that time they were wrong about it, does that add more confidence now to the Senator's taking advice from them?

Mr. WHEELER. Not any more than it adds to the fact that the Senator from Virginia and the Senator from Arkansas have to admit that they are wrong sometimes.

Mr. CARAWAY. But that does not strengthen our faith in the source of advice about legislation with reference to which we were mistaken.

Mr. WHEELER. I am perfectly willing to admit that I make mistakes and that I am human like everybody else. The morning papers pointed out that only a few radicals are fighting the bill, when the truth about it is that there is not a bankers' association in the Middle West but what has protested against the bill and the passage of it in the method and manner in which it is being passed. Talk about the Wall Street Journal! I say they are simply pointing out the facts. They are not saying it is not right. They are saying it should not be passed so hastily.

Mr. GLASS. Now, the Senator knows——

Mr. WHEELER. I might say to the Senator that labor organizations have been down here insisting that I vote for the bill.

Mr. GLASS. Oh, yes.

Mr. WHEELER. But the Senator from West Virginia does not always follow what the labor organizations say to him any more than I follow or he follows what the Wall Street Journal says.

Mr. GLASS. Not West Virginia, if the Senator please; but Virginia. I have not the high distinction of representing the State of West Virginia.

Mr. WHEELER. I apologize to the Senator.

Mr. HEFLIN. Apologize to West Virginia.

Mr. GLASS. Oh, no; not at all. I am sure the Senator from Alabama [Mr. HEFLIN], who spent an hour yesterday denouncing a bill which he voted for twice last June, would apologize to West Virginia.

Mr. HEFLIN. Mr. President, the Senator from Alabama was misled on it then like many other Members.

Mr. GLASS. I prefer to believe he is misled on it now rather than then.

Mr. HEFLIN. There are provisions in it now which a good many of those who are championing it do not understand at all.

Mr. CARAWAY. This is the first time I have ever known that the only evidence one can offer that he is right is that he was wrong before.

Mr. WHEELER. I agreed with the Senator upon that matter then, and that is what makes me doubt whether I was right about it or not.

Mr. CARAWAY. Mr. President, may I suggest to the Senator that there is a difference, because the Senator voted twice alike. He voted for it twice.

Mr. WHEELER. And I voted against this twice.

Mr. CARAWAY. The Senator is just "fixing" to vote against it.

Mr. WHEELER. Indeed, I am "fixing" to vote against it.

Mr. GLASS. Mr. President, I merely want to inject there that I would be curious to know what the Senator regards as a leisurely piece of legislation. This bill has been here for three years, and the only rider on it was the Hull amendments, which the Senate voted out by 60 to 17, the absence of which inspires the bitter hostility of the Senator from Montana. This bill has been upon the calendars of the two Houses for three years.

Mr. WHEELER. Yes; and it has been reported in a different form every time that it has come here. It was finally put upon the desks of Senators with amendments from the other House, and we could not even get copies of the bill with the amendments to it in order to learn what they were. Now, I am going to continue reading this editorial for a moment, if I may do so:

The action of the House of Representatives at Washington on Monday in passing the McFadden branch banking bill with the Senate rider attached to it for extending in perpetuity the charters of the Federal reserve banks, and minus the so-called Hull amendment, can not be viewed otherwise than matter for the deepest regret, viewed in the light of what the action implies. The statement is true both as regards the Federal reserve rider and the Hull amendment. As far as extending the charters of the Federal reserve banks is concerned, the step denotes very hasty action with reference to a subject of vital importance bearing upon the future of the country's banking system, and which therefore should have careful and very deliberate consideration. The present term of these charters is for a period of 20 years, and only a little over 12 years out of the 20-year period has yet elapsed, leaving, therefore, nearly 8 years more before the charters actually expire. There was, and is, hence not the slightest occasion for rushing the matter along, and least of all was there justification for effecting the purpose sought by means of a rider to a measure dealing with a variety of other things, some of them highly controversial in character, such as the subject of branch banking.

The Federal reserve act is not to-day in the shape in which it was originally put upon the statute book. It was radically amended and fundamentally changed by the amendments grafted upon it in 1917, when the United States became a participant in the World War. The gigantic struggle in which the Nation then became involved made it essential that the financial resources of the whole country should be mobilized in the most effective manner for the successful prosecution of the great struggle in which the whole of mankind had so much at stake. To bring about the financial mobilization referred to, extraordinary and inordinate powers had to be conferred upon the Federal reserve banks and their managers—powers so extreme that no sanction for them can be found except in times of war. As a prerequisite to the extension of the charters there should accordingly be elimination and repeal of these war amendments and restoration and return of the Federal reserve system to its original scope and purpose. In a word, there should be financial demobilization, just as there has long since been demobilization of the Army and the Navy and of all the other activities of the Nation. War powers are dangerous and a menace in peace times, more so when they concern the financial and banking mechanism of the country than when they involve anything else.

I am going to ask that the remainder of this editorial from the Chronicle be inserted in the RECORD as a part of my remarks.

The VICE PRESIDENT. Without objection it is so ordered.

The remainder of the editorial is as follows:

Under one of the war amendments the Federal reserve banks are given authority to acquire every dollar of gold in the country and then to make this gold the basis for the issue of Federal reserve notes to two and one-half times the amount of the gold thus acquired. As the total gold coin and bullion in the country January 1, 1927, was $4,502,429,488, this means that over $11,250,000,000 of reserve notes could be ultimately issued and put in circulation if the Federal reserve officials saw fit. This is too vast a power to confer upon any body of men, even if they were endowed with wisdom from on high. It is no answer to say that there is no present likelihood of any such vast volume of reserve notes being put out. Some of the reserve officials in public addresses hardly more than two years ago were harping upon the alleged superiority of the reserve note over the gold certificate, since the gold certificate when in circulation can never be expanded beyond 100 cents on the dollar, while in the hands of the reserve banks the certificate can be represented by $2.50 in reserve notes, and these officials made it equally clear that they are at all times ready to avail of the power of expansion thus possessed. Then look upon the growth of brokers' loans upon the stock exchange. Only a few years ago brokers' loans upon the stock exchange aggregating $1,000,000,000 to $1,200,000,000 were looked upon as affording occasion for concern. Now brokers' loans aggregating $3,000,000,000 are viewed with complacency.

By another one of the war amendments the member banks are required to keep the whole of their reserves with the Federal reserve banks, instead of only a part of such reserves. This amendment should also be repealed. The member banks should be obliged to hold at least a portion of their reserves in actual gold in their own vaults, and the reason is the same as in the other case, namely, that the Federal reserve banks should not be given the vast powers involved in entrusting them with the whole of the legal reserves of the member banks, with view to lending these reserves back again to the member banks, for in the last analysis that is what borrowing by a member bank at the Federal reserve bank means. Inasmuch as the deposits of the Federal reserve banks consist of nothing except the reserves of the member banks (barring the relatively small amount of United States Government deposits held), when these deposits are made the basis of loans to the member banks, either on the security of commercial bills or United States Government obligations, the operation or process represents nothing more or less than the borrowing back by the member banks of their own reserves. The whole of the member bank reserves should never be turned over to the reserve banks for any such purpose, and strict limitations should be put upon the use of such portion as it is deemed proper to place in their custody and control. Legal reserves, after all, are merely minimums, and they should never be trenched upon more than absolutely necessary.

Other war amendments, removing previous restrictions and limitations, should also be repealed, and previous safeguards on prudent and conservative action and policy restored. For instance, issuance of reserve notes should be permitted only against the security of commercial paper and not in any other way, so that it would always be possible by a mere glance at the weekly returns of the reserve banks to see what portion of their resources was being employed—that is, was being loaned back to the member banks.

Repeal of these war powers, as we have often indicated, should precede, or be concurrent with, the extension of the charters of the Federal reserve banks. Not only that, but there should be a very careful and a broad and statesmanlike consideration of the operation of the Federal reserve system during the period of its existence with a view to seeing whether any other changes are necessary in the interest of safe and sound administration. Merely extending the life of the system, and this only by a rider to another bill, is dealing lightly and superficially with a grave and pressing problem or showing lack of appreciation of its gravity. The Federal reserve authorities, being human, do not like to be shorn of any of the excessive and extreme powers now lodged in their keeping, and there has been very active propaganda in favor of the rider to the branch banking bill ever since the adjournment of the long session of Congress on July 10 last, when the conference committees of the two Houses of Congress became deadlocked on the Hull amendment. Business men and bankers have been flooded with literature telling them what dire things were going to happen if the Federal reserve bank charters were not immediately extended eight years in advance of their expiration. Nothing was said of the still graver dangers that menace the country if the present absence of restrictions on reserve note issues and the unlimited grant of powers should end in financial debauch, as it must eventually do unless the reserve act is amended in the particulars mentioned.

All this had its intended effect, inducing the House to reverse its action of last spring with reference to the Hull amendment and to swallow the bill in virtually the shape it was formulated by the Senate, hook, line, and sinker; that is, not only without the Hull amendment, but accepting all the other changes made by the Senate except two or three very minor ones. But what a woeful lack of confidence in the intrinsic merits of the Federal reserve system the whole proceeding betrays. The long and short of the matter is that those engaged in rushing the thing through are afraid that if they allowed the present opportunity to give indefinite limit to the life of the reserve banks to pass and left the proposal for consideration at some future Congress, along with the question of repealing the war-time amendments, discussion of the shortcomings of the system would develop and lead to so much opposition as to defeat all efforts at renewal of the lease of life, thereby repeating what happened to the first United States bank and the second United States bank. Candor compels the assertion that those who are opposed to considering extension of the Federal reserve charters as part of the proposition to revise the Federal reserve act itself are afraid of the light of day. It is a sorry situation when things come to such a pass as this.

Of course, failure to revise the reserve act now does not prevent future revision. But such future revision will be much more difficult than would revision while the life of the institution is at stake. The Federal reserve authorities will resist to the utmost efforts to deprive

them of any of their excessive and inordinate powers, and it will be easy to keep constantly deferring action on the repeal of the war amendments and rest contented without doing anything meanwhile. And not only that, but we may suppose that the same tinkering that has been uninterruptedly in progress since the reserve act was passed will continue in the future, and there will be piecemeal additions and changes, not always desirable or meritorious, since no one will give much attention to what is going on where no major operation is involved. If the reserve act were now, once and for all, revised in a broad and statesmanlike way, it would have true elements of endurance and future tinkering might be largely avoided.

Notwithstanding that the charters have been—or are to be by Senate action—extended, Congress will retain full control over the institutions and can decree their dissolution at any time. But that is a different thing from letting the life of the institution expire by limitation. With the charters extended in perpetuity the reserve banks do not have to come before Congress at a definite date and ask judgment upon their acts. That is an advantage of the greatest moment, but, as shown, will tend to the perpetuation of evils and abuses. It is for that reason that complete revision of the reserve act should have been made an inseparable part of the proposition to extend their life.

As for the branch banking bill itself, it is an omnibus measure, as we have often pointed out in these columns, and the branch-banking feature constitutes simply one of many different provisions. Some of these provisions are good and others are open to grave objection. The general purpose of the bill is meritorious. This purpose can be stated in a single sentence. It is to place the national banks on a plane of equality with the State banks. That is true of the branch-banking provision no less than of most of the other provisions. At present nearly half the States of the Union—22 States out of 48 to be exact—have granted the right to open branches. The national banks now have no such rights, though the law in that respect has been more or less evaded and the Comptroller of the Currency has sanctioned the establishment of so-called tellers' windows, which are virtual branches. The bill undertakes to give the national banks the unqualified right to establish branches under certain restrictions and limitations. The bill, as accepted by the House, permits national banks to operate branches within the limits of the city where the bank is located, but the city must have a population of at least 25,000; only one branch may be established in cities of less than 50,000 and only two in cities of not more than 100,000 population. In cities over 100,000, branches may be established in the discretion of the comptroller, and he may, of course, be depended upon to see to it that the national banks suffer no disadvantage in that respect in comparison with State institutions. The Hull amendment relating to branch banking, which had deadlocked the conferees since last spring and which is now to be eliminated—the House having completely reversed its position of last year (June 24), when it instructed the conferees to insist on that amendment by a vote of 197 to 118, having now voted the amendment out of the bill by 228 against 166—aimed to prevent branch banking from creeping into the 26 States which now do not authorize branch banking by denying to national banks authority to open any branches at all in those States, even if any of such States should hereafter enact legislation permitting their own banks to establish branches.

By the elimination of that amendment the national banks are ipse facto given the right to open branches in any of those States the moment any such State authorizes its own banks to open up branches.

We were not at first inclined to favor this amendment, but the lengthy discussions of it at the annual convention of the American Bankers' Association at Los Angeles last October convinced us that if branch banking is to be limited and confined to the States where it has found lodgment, the Hull amendment should form part of the measure. Without that amendment national banks are given the right in advance to engage in branch banking, and the bill instead of being a bill for the limitation and restriction of branch banking, as is its aim and purport, becomes actually a measure for its extension. To give national banks the right in advance to engage in branch banking in the States referred to, is to extend an invitation to the national banks to get a State law passed for that purpose in order that they themselves may engage in the practice, and it requires no stretch of the imagination to see that in some of the States at least that is what actually may happen.

The Senate was adamant in its opposition to the Hull amendment, and it was urged that it was a discrimination against the nonbranch States. As a matter of fact, it is nothing of the kind. The States are left free to do as they like with their own institutions and, as far as the national banks are concerned in the same States, it would be an easy matter for these banks to go to Congress after the State had acted and ask the same privilege for themselves. We say that without the Hull amendment the branch-banking provision of the bill becomes a provision for the extension of branch banking, rather than a provision for its limitation. That follows from the fact that the national banks are given the privilege immediately to engage in branch banking in the States where branch banking now exists, a privilege which is now denied to them, and in that particular the bill is unquestionably a measure for the extension of branch banking. Keeping it out of the States where it does not at present exist would have afforded a definite limitation, but with that provision also eliminated the broadest right of branch banking is given not only for the present but for the future within the limits as to population already mentioned.

Even state-wide branch banking would seem to be authorized to the extent that it now exists, though not as respects any future additions, which are distinctly ruled out. Here is the section of the bill dealing with that particular phase of the subject:

"Any bank incorporated by special laws of any State, or organized under the general laws of any State or of the United States, desiring to become a member of the Federal reserve system may make application to the Federal Reserve Board, under such rules and regulations as it may prescribe, for the right to subscribe to the stock of the Federal reserve bank organized within the district in which the applying bank is located. Such application shall be for the same amount of stock that the applying bank would be required to subscribe to as a national bank.

"The Federal Reserve Board, subject to the provisions of this act and to such conditions as it may prescribe pursuant thereto, may permit the applying bank to become a stockholder of such Federal reserve bank.

"Any such State bank which, at the date of the approval of this act, has established and is operating a branch or branches in conformity with the State law may retain and operate the same while remaining or upon becoming a stockholder of such Federal reserve bank; but no such State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after the date of the approval of this act beyond the limits of the city, town, or village in which the parent bank is situated."

This would seem to protect absolutely the big California banks with their branches scattered all over the State, except that it would not permit them to carry the process of acquiring or establishing further branches beyond what they may have on the day when the bill receives the approval of the President. It will be observed that the language is very broad and unqualified in that respect, saying: "Any such State bank which, at the date of the approval of this act, has established and is operating a branch or branches in conformity with the State law, may retain and operate the same while remaining or upon becoming a stockholder of such Federal reserve bank; but no such State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after the date of the approval of this act beyond the limits of the city, town, or village in which the parent bank is situated." The closing words of this clause deserve close scrutiny. In saying that after-acquired branches may not be retained "beyond the limits of the city, town, or village in which the parent bank is situated," is it not to be inferred that the prohibition does not extend to after-acquired branches within "the limits of the city, town, or village in which the parent bank is situated"?

As for the rest of the measure, the bill, as already stated, is an omnibus proposition and covers so many different things that space does not permit their enumeration. Suffice it, therefore, to say that among others things it extends from one year to five years the time limit on loans on real estate—a very questionable privilege with nothing to recommend it. National banks should have only liquid assets, and there is certainly nothing liquid in a real-estate mortgage having five years to run. Moreover, real estate in some sections of the country, where there has been serious inflation of real-estate values, is liable to undergo sharp depreciation, where that has not already occurred. A very praiseworthy provision is that which removes the present 99-year limitation upon national-bank charters and authorizes the national banks to continue their operations indefinitely, subject simply to forfeiture for violation of law or termination by Congress. This provision is commendable from every standpoint and will also enable national banks to administer long-term and perpetual trusts. The bill also authorizes the Federal Reserve Board to discontinue branches of the Federal reserve banks and likewise permits national banks to divide their stock into shares of less than $100 par value. As to the remaining changes and amendments, the following is the closing portion of an editorial on the subject which appeared in the Journal of Commerce of this city, of which H. Parker Willis, who drafted the Federal reserve act, is editor, on Wednesday morning, January 26:

"The significance of the McFadden bill, should it become law, will be found entirely in its relaxation of the loan restrictions upon national banks, its alteration in the form of their investments, its broadening of the power to lend on collateral security, its doubtful changes in the criminal provisions of the law, and the increasing danger of bank failures, which will increase as a result of it. Some of these things have already been taken cognizance of by the Federal Reserve Board, which has strongly urged Congress to consider with much greater care the problem of revising section 5200, Revised Statutes. Congress has turned a deaf ear to these pleas, and the community will, if the measure goes to the statute books, as many assert that it will without further delay, have to make its study of the legislation after instead of before passage. This has been our practice for the past 10 or 12 years. It is a conservative statement amply able of defense that none of the numerous banking measures, major amendments to the Federal reserve act and others, that have gone through during the 12 years past have received any real consideration on the floor."

Mr. WHEELER. Mr. President, I now desire to call attention to an editorial in the Chicago Journal of Commerce. If I am not mistaken, that newspaper is edited by a brother-in-law of our distinguished and respected Vice President. I may be in error about it, but that is my information. The Vice President shakes his head in the negative, indicating that that is not correct. This article, which is taken from the Chicago Journal of Commerce, is entitled "Breach of faith," and is as follows:

The McFadden bill would not have passed the House in the first place if it had not had the support of the rank and file of the American Bankers' Association, and their support was dependent upon the inclusions within the bill of the Hull amendments. Moreover, at the convention of 1924 a prolonged contest ended in the victory for the proponents of the amendments. The officers of the association were thereupon instructed to work for these amendments. With these amendments the bill passed the House. It passed the Senate without the amendments, and the reason is largely that the permanent staff of the American Bankers' Association, while supporting the bill and while stating lukewarmly that they were expected to support the Hull amendments, nevertheless gave the impression that the indorsement of the amendments had been put through by a cantankerous element in the association.

This contact was a breach of faith. The faith of the majority of the association had been violated. In common decency the agreement that was made with them should be kept. The Hull amendments should be restored to the McFadden banking bill.

There is no question in the world but that that editorial correctly states the position with reference to the American Bankers' Association, as I explained the other day, because when the American Bankers' Association met in 1924, I think it was in the city of New York, and the little bankers were called in attendance from all over the country; they went on record almost unanimously in favor of the Hull amendments. Then it was that a convention was held in the city of Los Angeles, Calif., and there they packed it with the officers and directors of the branch banks in Los Angeles and overrode the majority of the little bankers of the country. I have a letter in my possession from one of the little bankers of my State who attended that convention who stated very frankly that never in his life had he seen a proposition railroaded through a convention as was the resolution denouncing the Hull amendments railroaded through the convention of the American Bankers' Association which was held at Los Angeles.

Mr. GLASS. Mr. President, I will not interrupt the Senator if he does not desire to be interrupted.

Mr. WHEELER. If I yield I hope the time will not be charged to me, because I see the Senator from Connecticut [Mr. McLEAN] is watching me very closely.

Mr. GLASS. I will not interrupt the Senator.

Mr. WHEELER. Mr. President, I also have a telegram which I received last evening and which I will read into the RECORD at this point, as follows:

CONRAD, MONT., *February 15, 1927.*

Senator BURTON K. WHEELER:

Unless Hull amendments are reinstated please help defeat McFadden bill.

FIRST NATIONAL BANK OF CONRAD.
FARMERS' STATE BANK OF CONRAD.
FARMERS' STATE BANK OF BRADY.

Mr. President, that is just a sample of how the little bankers throughout the Middle West and Northwest feel concerning this measure.

I also have a telegram not from any labor organization and not from any "wild-eyed" farmer out in Wisconsin or North Dakota but a telegram from one of the ablest bankers in the State of Wisconsin concerning this bill. I will read the telegram, which is as follows:

PLATTEVILLE, WIS., *February 15, 1927.*

Hon. BURTON K. WHEELER,
Senator from Montana, Washington, D. C.:

The enactment of the McFadden bill without Hull amendments would be one of the worst crimes that could be committed against public interest. Federal reserve system was created to decentralize banking power and credit control. This measure creates powerful centralization; makes possible absorption by powerful groups of the liquid funds of communities and States to be used largely in investment and international banking operations that offer large profits. Imagine, if you will, the kind of a credit-diffusion system these monopolistic groups would extend to the individnal borrowers of the smaller cities and communities of our land. It would mean the drying up of the well springs of credit. Credit monopoly is the worst affliction that could befall us. This is an entering wedge to state-wide and nation-wide branch banking for the purpose of absorbing the liquid funds of the Nation. Give Federal indorsement to principle of branch banking and pass permissive legislation authorizing national banks to automatically engage in branch banking in any State that permits the evil and you by that action give monopolistic interest. The enabling machinery desired to batter down the prohibition that now exists in 26 States against branch banking. Congressional sanction and Federal indorsement is being asked for this very purpose. Is the Senate of the United States to lend its influence in making possible this removal of barriers that exist in 26 States against the spread of branch banking? Read this into RECORD.

W. H. DOYLE,
Member of Executive Council of American Bankers' Association from Wisconsin.

Let me say now, Mr. President, in all sincerity, there can not be any more question about this bill being the entering wedge of a branch-banking system in this country than there is of the presence of Senators here who are sitting in their seats.

The VICE PRESIDENT. The Senator from Montana has five minutes remaining.

Mr. WHEELER. Very well. Every little banker in this country, particularly in the Middle West and Northwest, is fearful that he is going to be wiped out of existence by a branch-banking system such as prevails in Canada, in England, and in some of the cities in this country.

Mr. President, I shall not consume further time of the Senate, because, as I said a moment ago, I realize that this bill is going to pass, and it is futile to talk to the Members of the Senate upon this subject. I deplore the fact that it was thought necessary to invoke cloture and thereby cut off debate in order to pass the measure at this session of Congress. There is no reason which any Member of this body can state why, eight years before the Federal reserve bank charter expires, it should be sought to renew it by attaching a provision to that effect as a rider to this bill. No one here can assign any reason why it is necessary at this time to pass this bill extending branch banking throughout the country. No one can assign a reason why it is necessary to add the amendments to section 5200 of the national banking act, or why there is any necessity to rush them through the Senate when they have not been properly considered by Members of the Senate.

It is all right for the Senator from Virginia [Mr. GLASS] to stand here and say that this bill has been here for two years or for three years; I do not care if it has been here for 15 years; I make the statement without fear of contradiction that 75 or 80 per cent of the Members of this body have not read the bill, do not know what is in it, and do not know the purport of the provisions of the bill.

Mr. TRAMMELL. Mr. President, I desire to have a letter from the president of the Florida Bankers' Association read at the desk and spread upon the RECORD. The letter is in regard to the branch-banking feature of the bill. After the letter shall have been read I desire to address a few words to the Senate.

The VICE PRESIDENT. Without objection, the clerk will read.

The Chief Clerk read as follows:

FLORIDA BANKERS' ASSOCIATION,
Ocala, Fla., December 13, 1926.

Hon. PARK TRAMMELL, United States Senator,
Senate Office Building, Washington, D. C.

DEAR SENATOR TRAMMELL: I just noticed that Hon. J. W. McIntosh, Comptroller of the Currency, in his report to the Congress recommends the passage of a branch banking bill.

The Florida Bankers' Association, which represents every bank, national, State, and trust company, in the State of Florida, has again and again gone on record as opposed to branch banking. The last time or two that this subject has been up the action of the association has been unanimous.

As you recall, the State laws of Florida do not permit branch banking, and as we have 289 State bank and trust companies and 60 national banks operating in the State of Florida, to enact this branch banking bill would penalize the 289 State banks, which carry the larger volume of the Florida banking business, in favor of the 60 national banks.

As you will recall, the trouble which we had the past summer in the banking interests of Florida were occasioned by branch banking, owned and operated by the Bankers' Trust Co., of Atlanta, Ga. Had this Manley chain of banks been excluded from Florida, I am certain that the banking structure and good name of Florida would have been spared the demoralization incident to closing quite a number of institutions in the State of Florida, and saved us from much unfavorable out-of-State criticism.

I therefore urge you, if consistent with your good judgment, to oppose the passage of any branch banking bill by the Congress.

I am, with high personal regards,

Sincerely yours,

J. H. THERRELL, *President.*

Mr. TRAMMELL. Mr. President, there are some features in the pending bill of which I heartily approve and upon which I sincerely wish I had an opportunity to vote upon their merits; but, as I see it, the controversial question in the pending bill and the main, big issue in the bill is the question of branch banking. A vote in behalf of this bill is unquestionably an indorsement of the idea of the establishment and maintenance in this country of branch banking.

If I had not had convictions on this question myself, I certainly should have given a great deal of weight to the opinion voiced by the president of the Florida Bankers' Association and the sentiment expressed by the membership of the Florida Bankers' Association in its conventions in the past. As we observed in the letter which was read from the desk, the president of the association states that at the last convention, in which they voted upon this question of branch banking, the vote of the Florida bankers, those representing both State and national banks, was unanimous against branch banking.

While I dislike not to have the privilege of voting for an extension of the time of loans upon farms and for some other features of the bill, I feel impelled under the circumstances to vote against the bill because it contains the provisions that it does on the question of branch banking.

There is no use in entering into a discussion of the merits or demerits of the system of branch banking. As referred to by the president of the Florida Bankers' Association, there existed at Atlanta, Ga., not exactly a branch-banking system, but they had in that city a parent bank with a lot of chain banks scattered around over Georgia and Florida. I forget how many there were in this system in my State—possibly some 30, or maybe more—but they were so interlocked and interwoven that when trouble came on with the parent bank in Atlanta, Ga., it resulted in the failure of almost every bank connected with that system. Banks in my State that were in excellent financial condition, generally speaking, had been called upon by the parent bank for funds to be sent there; the funds had been taken by the headquarters bank and loaned out to different banks throughout the country, and when the Florida banks called for their funds they were unable to get them; and when disaster struck the main parent bank it resulted in the failure of almost every bank within the chain.

While that is not branch banking, there is some analogy between that system and what may occur under a system of branch banks. I am opposed to the pending bill because I do not think it is best for the general financial interests of the country. It may be so operated as not to give the best security to the depositors upon the one hand, and then again it may be so operated as not to give the best and most efficient banking facilities to the different localities, because too much power would be centered in one main, principal bank, the bank that is operating the branch banks.

I think there is quite a good deal of danger from that standpoint; and as far as the average, ordinary bank throughout this country is concerned, State bank or national bank, if you will allow a system of branch banking to grow up it will, in my opinion, be only a few years until we will have very few independent banks left in the country. They will all be controlled by some central bank concerns with enormous capital; and I do not think it will be best for the various localities or the general interest of the country to have the money power centered in only a few institutions. I believe that with a greater number of financial institutions, such as we have at the present time, the general industrial conditions and economic conditions, taking the country as a whole, taking the States as a whole and the communities as a whole, will be better safeguarded, and those communities will enjoy greater prosperity, because they will have a greater degree of financial accommodation under the present system than they would have under a system where the number of main banks is reduced and there are branch banks scattered all over the country.

Under those circumstances I feel that I must vote against the bill, although it has some features that I approve.

The VICE PRESIDENT. The question is upon the motion of the Senator from Pennsylvania [Mr. PEPPER].

Mr. McLEAN. I call for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. BRATTON (when the name of Mr. JONES of New Mexico was called). My colleague [Mr. JONES] is absent from the Chamber on account of illness. If he were present and voting, he would vote "yea" on this question.

The roll call was concluded.

Mr. JONES of Washington. The senior Senator from Idaho [Mr. BORAH] is necessarily detained in a conference. The senior Senator from South Dakota [Mr. NORBECK] is absent on account of injury received in an accident. They are paired on this motion. If present, the Senator from South Dakota would vote "yea" and the Senator from Idaho would vote "nay."

The Senator from Delaware [Mr. DU PONT] is necessarily absent. If present, he would vote "yea."

Mr. COPELAND. I desire to announce the necessary absence of the Senator from Michigan [Mr. FERRIS]. If present, he would vote "yea."

Mr. GERRY. I desire to announce that the Senator from Utah [Mr. KING] is necessarily detained from the Senate. If present, he would vote "yea."

The result was announced—yeas 71, nays 17, as follows:

YEAS—71

Ashurst	George	McLean	Schall
Bayard	Gerry	McNary	Sheppard
Bingham	Gillett	Mayfield	Shortridge
Bratton	Glass	Means	Simmons
Broussard	Goff	Metcalf	Smith
Bruce	Gould	Moses	Smoot
Cameron	Greene	Neely	Stanfield
Capper	Hale	Oddie	Stephens
Caraway	Harreld	Overman	Swanson
Copeland	Harris	Pepper	Tyson
Couzens	Harrison	Phipps	Underwood
Curtis	Hawes	Pine	Wadsworth
Dale	Johnson	Pittman	Walsh, Mass.
Edge	Jones, Wash.	Ransdell	Warren
Edwards	Kendrick	Reed, Pa.	Watson
Ernst	Keyes	Robinson, Ark.	Weller
Fess	Lenroot	Robinson, Ind.	Willis
Fletcher	McKellar	Sackett	

NAYS—17

Blease	Heflin	Nye	Walsh, Mont.
Deneen	Howell	Shipstead	Wheeler
Dill	La Follette	Steck	
Frazier	McMaster	Stewart	
Gooding	Norris	Trammell	

NOT VOTING—7

Borah	Ferris	King	Reed, Mo.
du Pont	Jones, N. Mex.	Norbeck	

So Mr. PEPPER'S motion was agreed to, which was that the Senate recede from its amendments Nos. 1, 13, 14, 15, 16, and 35, and that the Senate agree to the amendments of the House of Representatives to the amendments of the Senate Nos. 11, 26, 30, 36, 37, 38, and 39, and to the amendment to the title to the bill (H. R. 2) to amend an act entitled "An act to provide for the consolidation of national banking associations," approved November 7, 1918; to amend section 5136 as amended, section 5137, section 5138 as amended, section 5142, section 5150, section 5155, section 5190, section 5200 as amended, section 5202 as amended, section 5208 as amended, section 5211 as amended, of the Revised Statutes of the United States; and to amend section 9, section 13, section 22, and section 24 of the Federal reserve act, and for other purposes.

The action of the House on the Senate amendments indicated, concurred in by the Senate, was as follows:

That the House recede from its disagreement to the amendment of the Senate No. 11 and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by said amendment insert:

The words "State bank," "State banks," "bank," or "banks," as used in this section, shall be held to include trust companies, savings banks, or other such corporations or institutions carrying on the banking business under the authority of State laws.

That the House recede from its disagreement to the amendment of the Senate No. 26 and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by said amendment insert:

SEC. 5155. The conditions upon which a national banking association may retain or establish and operate a branch or branches are the following:

(a) A national banking association may retain and operate such branch or branches as it may have in lawful operation at the date of the approval of this act, and any national banking association which has continuously maintained and operated not more than one branch for a period of more than 25 years immediately preceding the approval of this act may continue to maintain and operate such branch.

(b) If a State bank is hereafter converted into or consolidated with a national banking association, or if two or more national banking associations are consolidated, such converted or consolidated association may, with respect to any of such banks, retain and operate any of their branches which may have been in lawful operation by any bank at the date of the approval of the act.

(c) A national banking association may, after the date of the approval of this act, establish and operate new branches within the limits of the city, town, or village in which said association is situated, if such establishment and operation are at the time permitted to State banks by the law of the State in question.

(d) No branch shall be established after the date of the approval of this act within the limits of any city, town, or village of which the population by the last decennial census was less than 25,000. No more

than one such branch may be thus established where the population, so determined, of such municipal unit does not exceed 50,000; and not more than two such branches where the population does not exceed 100,000. In any such municipal unit where the population exceeds 100,000 the determination of the number of branches shall be within the discretion of the Comptroller of the Currency.

(e) No branch of any national banking association shall be established or moved from one location to another without first obtaining the consent and approval of the Comptroller of the Currency.

(f) The term "branch" as used in this section shall be held to include any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State or Territory of the United States or in the District of Columbia at which deposits are received, or checks paid, or money lent.

(g) This section shall not be construed to amend or repeal section 25 of the Federal reserve act, as amended, authorizing the establishment by national banking associations of branches in foreign countries, or dependencies, or insular possessions of the United States.

(h) The words "State bank," "State banks," "bank," or "banks," as used in this section, shall be held to include trust companies, savings banks, or other such corporations or institutions carrying on the banking business under the authority of State laws.

That the House recede from its disagreement to the amendment of the Senate No. 30 and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by said amendment insert:

SEC. 9. That the first paragraph of section 9 of the Federal reserve act, as amended, be amended so as to read as follows:

"SEC. 9. Any bank incorporated by special law of any State, or organized under the general laws of any State or of the United States, desiring to become a member of the Federal reserve system, may make application to the Federal Reserve Board, under such rules and regulations as it may prescribe, for the right to subscribe to the stock of the Federal reserve bank organized within the district in which the applying bank is located. Such application shall be for the same amount of stock that the applying bank would be required to subscribe to as a national bank. The Federal Reserve Board, subject to the provisions of this act and to such conditions as it may prescribe pursuant thereto, may permit the applying bank to become a stockholder of such Federal reserve bank.

"Any such State bank which, at the date of the approval of this act, has established and is operating a branch or branches in conformity with the State law, may retain and operate the same while remaining or upon becoming a stockholder of such Federal reserve bank; but no such State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after the date of the approval of this act beyond the limits of the city, town, or village in which the parent bank is situated."

That the House recede from its disagreement to the amendment of the Senate No. 36 and agree to the same with an amendment as follows: Strike out the section number and in lieu thereof insert "16."

That the House recede from its disagreement to the amendment of the Senate No. 37 and agree to the same with an amendment as follows: Strike out the section number and in lieu thereof insert "17."

That the House recede from its disagreement to the amendment of the Senate No. 38 and agree to the same with an amendment as follows: Strike out the section number and in lieu thereof insert "18."

That the House recede from its disagreement to the amendment of the Senate No. 39 and agree to the same with an amendment as follows: Strike out the section number and in lieu thereof insert "19."

That the House recede from its disagreement to the amendment of the Senate to the title and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by said amendment insert:

An act to further amend the national banking laws and the Federal reserve act, and for other purposes.

Mr. GLASS. Mr. President, I ask unanimous consent that the telegram which I send to the clerk's desk may be placed in the RECORD.

The VICE PRESIDENT. Without objection, the clerk will read.

The Chief Clerk proceeded to read as follows:

Learned from Associated Press last night that Senator WHEELER yesterday——

Mr. GLASS. I merely ask for the insertion of the telegram in the RECORD.

Mr. WHEELER. I ask that it may be read.

Mr. GLASS. Very well.

The VICE PRESIDENT. The clerk will read the telegram.

The Chief Clerk read as follows:

NEW YORK, N. Y., *February 15, 1927.*

Hon. CARTER GLASS,

United States Senate, Washington, D. C.:

Learned through Associated Press last night that Senator WHEELER yesterday in Senate criticized a circular issued by committee on Federal legislation of the American Bankers' Association urging support of the banking bill which stated that certain Senators who were trying to filibuster against the bill should be reached specially, and also that the general counsel of the association had written a letter to Representative HULL offering to give him legal business, the plain inference from which was that the association was trying to unduly influence Mr. HULL when he was fighting for the Hull amendments. Permit me, first, to defend the circular, and, secondly, to deny not only the inference but that any personal letter was ever written to Congressman HULL, the letter referred to being an identical Hooverized form letter forwarded to 20,000 attorneys throughout the United States. The sending of the circular to members of our Federal legislative counsel in each State, informing them of the situation in Washington and asking them to urge Senators to take immediate action, was an open and legitimate method of calling upon members of the association to do what they could legitimately in support of the association's legislative policy, which method is similar to that adopted by many other organizations, and the request that three Senators should be reached specially simply meant that members should endeavor by honest argument to induce such Senators to allow the bill to come to a vote. Any inference of undue or improper influence is entirely unfounded. Concerning the alleged letter to Congressman HULL, our legal department, as a valuable service to members who frequently write or wire asking for recommendation of an attorney to prosecute a claim in a certain city, has established a list of reliable bank attorneys whom it can recommend, and in the compilation of this list 20,000 identical form letters were issued to attorneys, one of which, it now appears, was addressed to M. D. HULL. This fact I ascertained only this morning. It is regrettable that an unjust imputation of undue influence should be based upon a mere form letter.

THOMAS B. PATON,
General Counsel American Bankers' Association.

Mr. GLASS. Mr. President, in this connection I send to the desk a resolution, which I will ask to have referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

Aside from the suggestion that Judge Paton, general counsel of the American Bankers' Association, was guilty of attempting unduly to influence Members of the Senate, there have been persistent rumors about the Capitol of lobbying activities of an illicit and culpable nature. They have gone so far as to assert that a sum considerably in excess of $100,000 has been expended by a certain group of bankers in behalf of what were known as the Hull amendments. They have gone so far as to suggest that a paid lobbyist of this group, who, to my certain knowledge, has haunted the corridors and the doors of the Senate Chamber for months, had employed Members of the Congress identified with this legislation to go out and make speeches in behalf of certain provisions of the bill.

In view of these persistent reports, some of which I have good reason to believe, I am offering this resolution, because I think that the Senate owes it to its own integrity to have such matters investigated and determined.

Mr. DILL. Mr. President——

Mr. WHEELER. Mr. President——

Mr. DILL. I do not want to allow the resolution to be taken up except by unanimous consent, because I do not want the radio bill——

Mr. GLASS. I want my resolution referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

The VICE PRESIDENT. After the reading of the resolution, it will be referred.

Mr. GLASS. I may add to what I have said that it has been definitely reported to me that this group of bankers and their agents paid the way and the expenses of quite a number of delegates to the recent national convention of the American Bankers' Association held at Los Angeles.

The VICE PRESIDENT. The clerk will read the resolution.

The Chief Clerk read the resolution (S. Res. 355), as follows:

Resolved, That the Committee on Banking and Currency, or any duly authorized subcommittee thereof, is authorized and directed to conduct a thorough investigation of alleged lobbying activities in connection with the banking bill (H. R. 2, 69th Cong.). For the purposes of this resolution such committee or subcommittee is authorized to hold such hearings, to sit at such times and places, to employ such clerical, stenographic, and other assistants, to require the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths and to take such testimony, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25

cents per hundred words. The expenses of such committee or subcommittee, which shall not exceed the sum of $2,500, shall be paid from the contingent fund of the Senate. Such committee or subcommittee shall report to the Senate on or before January 1, 1928, with such recommendations as it deems advisable.

The VICE PRESIDENT. The resolution will be referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. WHEELER. Mr. President, I want to say that, with reference to the letter which was introduced in the RECORD the other day from Mr. Thomas B. Paton, first of all, I do not take it that in the resolution offered by the Senator from Virginia he intended to implicate me in any way in the investigation.

Mr. GLASS. Of course not. The resolution would have been offered—indeed it was prepared tentatively before I received the telegram.

Mr. WHEELER. This is what I was going to say: I introduced in the RECORD the other day a telegram that was sent out by the American Bankers' Association to people throughout the country suggesting that they should get in touch with Senators and that they particularly should try to "reach Senators HOWELL, DILL, and myself." I commented upon the language which was used at that time and I asked what they meant when they used the word "reach." At the same time I received a copy of a letter which was given to me by Mr. HULL's office, addressed to Mr. M. D. HULL, in which it was said:

> We frequently have requests from banks in different parts of the country for names of reliable attorneys. Your name has been given to us and we will be glad to recommend to you any business called to our attention.

This letter was written on October 16, 1926. If it is a form letter, I certainly could not detect that it is. It was signed by Thomas B. Paton, jr., assistant general counsel. The Associated Press carried a reply from Mr. Paton saying that he had never written any such letter and that his son had never written any such letter. I hold the letter in my hand, and it purports to be signed by Thomas B. Paton, jr. Now, they say that it is a form letter. It is a significant fact, if it is a form letter, that it should have been sent to MORTON D. HULL, Member of Congress, who has not practiced law for a number of years at least, I am informed. They say to him that he has been recommended to them by some bank as an attorney who will be glad to get their business. Either it was sent to him through the grossest kind of ignorance, as I said the other day, or else it was sent to him for some other purpose.

I am glad to have the explanation from the attorney for the American Bankers' Association. I had the letter put in the RECORD the other day, and said we ought to have an explanation. I am glad to get the explanation.

With reference to the statement which has been made by the Senator from Virginia [Mr. GLASS] concerning delegates having their way paid to the convention in Los Angeles, I do not know whether that is so at all, because I have not any connection with the American Bankers' Association, but am satisfied that those bankers who went from the State of Montana, among them being a man by the name of Mr. Stone, who wrote me concerning the matter, never had their way paid. Mr. Stone never had his way paid, and he was not influenced by anything or by anybody in his actions at such convention. I stand here to-day to say that, while I personally know Mr. Stone, he has not always been a supporter of mine; but he is one of the highest class, most honorable, and able men in the State of Montana, and I should hate to hear anybody say that he had had his mind influenced in any way, shape, or form, or that he would permit anybody to pay his way to a bankers' convention.

While we are investigating the bankers' association convention held in the city of Los Angeles I think it would be well to go into the entire subject of paying the way of American Bankers' Association delegates. I would like to see the matter gone into to find out who paid the way of the delegates when they went to New York, when they went to Georgia, when they went to Florida, and when they have taken these other trips, because, if my understanding is correct, the American Bankers' Association have been paying the way of a lot of little bankers throughout the country whenever they wanted to put through some kind of a resolution. If we are going to have an investigation, let us go into the whole subject. Let us investigate the American Bankers' Association from top to bottom. That is what I would like to see done.

Mr. GLASS. That is the purpose of the resolution.

Mr. WHEELER. I sincerely hope that the resolution will be adopted and I sincerely hope that the committee will go into the whole subject in the investigation of the American Bankers' Association and their activities.

REGULATION OF RADIO COMMUNICATIONS

Mr. DILL. Mr. President, I move to take up the conference report on the radio bill, H. R. 9971, for the regulation of radio communications, and for other purposes.

The VICE PRESIDENT. The question is on the motion of the Senator from Washington.

Mr. WARREN. Mr. President, I wish to ask a question. Does the Senator propose to proceed to-night with the conference report on the radio bill?

Mr. DILL. I may say to the Senator, Mr. President, that my purpose was to have the motion agreed to in order that the report might become the unfinished business, and then I would be willing to lay it aside temporarily.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Washington.

The motion was agreed to.

The VICE PRESIDENT. The question is on agreeing to the conference report.

Mr. DILL. I yield to the Senator from Virginia [Mr. GLASS].

Mr. PITTMAN. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state his inquiry.

Mr. PITTMAN. The Chair put the question on agreeing to the conference report. I desire to say something on it, but I do not desire to have the Senator from Washington hold the floor unless he is going to speak or make some motion.

Mr. DILL. I understood that the motion to take up the conference report was agreed to.

Mr. PITTMAN. That was agreed to, and then the question was put on agreeing to the conference report.

The VICE PRESIDENT. The question on agreeing to the conference report is debatable.

Mr. DILL. I may say to the Senator from Nevada that several Senators have short matters they want taken up this evening. If agreeable to the Senate, I will be willing to lay aside the radio conference report temporarily for the rest of the day, if necessary, and then take it up to-morrow and hold it before the Senate.

Mr. WARREN. If the Senator will yield to me a moment, I desire to say that there are four conference reports on appropriation bills which I desire to have laid before the Senate, the consideration of which will take probably only a few moments, before we come to the consideration of the District of Columbia appropriation bill. The consideration of these reports, as I have said, will take but a little time, and they must be taken up to-night.

Mr. ASHURST. I desire to be heard.

The VICE PRESIDENT. The Senator from Washington yielded to the Senator from Virginia.

Mr. DILL. I yield to the Senator from Virginia, who wants to make a statement of some sort.

[Mr. GLASS's remarks appear following the adoption of Mr. PEPPER's motion relative to the banking bill on page 3958.]

Mr. WHEELER. Mr. President——

Mr. DILL. Just a moment. I wanted to state the situation in regard to the radio conference report.

Mr. HEFLIN. I was going to suggest to the Senator that the statement of the Senator from Virginia about this opposition to the banking bill particularly involves the Senator from Montana——

Mr. GLASS. Not at all.

Mr. HEFLIN. And the telegram read mentions him, and his reply to another gentleman, and I think the Senator from Montana ought to be permitted to answer that while it is before the Senate.

Mr. DILL. Mr. President, if the Senator will just let me make a statement, I think the Senator from Montana can have the floor; but I want to get the situation clarified regarding the radio conference report. The Senator from New York is desirous of taking up——

Mr. HEFLIN. I was merely stating to the Senator——

Mr. DILL. I have the floor. If the Senator will let me say a few words, then the Senator from Montana can have the floor. The Senator from New York [Mr. WADSWORTH] is anxious to take up the conference report on the War Department appropriation bill; I think my colleague [Mr. JONES of Washington] is desirous of taking up another conference report, and the Senator from Wyoming [Mr. WARREN] has something he wants to bring before the Senate. I am perfectly willing to ask unanimous consent to lay aside the conference report on the radio bill, and allow these various conference reports to be taken up, unless somebody desires to discuss the conference report on the radio bill this afternoon.

Mr. PITTMAN. Mr. President——

The VICE PRESIDENT. The Senator from Nevada.

Mr. PITTMAN. I did not rise a while ago to oppose any step the Senator from Washington wants to take. Unfortunately, he seemed to have the floor at the same time that the question was being put on his motion to adopt the conference report, and it was necessary for me to rise. It is totally immaterial to me, as far as I am personally concerned, when he takes up the conference report on the radio bill. I feel that the appropriation bills should have the right of way, but I want to say right now, as I have said before, that I have no intention of doing anything to delay action on this bill or on any other bill that is going to come up between now and the time we adjourn.

I desire to have probably 30 or 40 minutes, however, to call to the attention of the Senate what I consider the fatal defects of this proposed legislation.

Mr. DILL. I want to say to the Senator that I have no desire to cut him off or to limit him in his presentation of his argument on the question, but I wanted to make clear to the Senate my intentions regarding the conference report. Therefore, if the Senator from New York desires to take up the conference report——

Mr. FLETCHER. Why does not the Senator ask to have the conference report on the radio bill laid aside? It seems that everybody is willing that it should be laid aside.

Mr. DILL. I was going to ask unanimous consent to lay it aside temporarily and to take up the conference report on the War Department appropriation bill.

Mr. SMOOT. Let the Senator make his request.

Mr. DILL. I ask for such unanimous consent.

The VICE PRESIDENT. Without objection, it is so ordered.

[Mr. WHEELER addressed the Senate. His remarks appear following those of Mr. GLASS on page 3959.]

WAR DEPARTMENT APPROPRIATIONS—CONFERENCE REPORT

Mr. WADSWORTH submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 16249) making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1928, and for other purposes, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 5, 16, 18, 27, 38, and 39.

That the House recede from its disagreement to the amendments of the Senate numbered 3, 4, 6, 7, 8, 9, 12, 13, 15, 21, 22, 23, 24, 25, 26, 28, 29, 31, 32, 33, 35, 36, 40, and 41, and agree to the same.

Amendment numbered 2: That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$82,400"; and the Senate agree to the same.

Amendment numbered 11: That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$6,370,998"; and the Senate agree to the same.

Amendment numbered 14: That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$124,688,704"; and the Senate agree to the same.

Amendment numbered 17: That the House recede from its disagreement to the amendment of the Senate numbered 17, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$12,936,034"; and the Senate agree to the same.

Amendment numbered 19: That the House recede from its disagreement to the amendment of the Senate numbered 19, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$14,683,253"; and the Senate agree to the same.

Amendment numbered 20: That the House recede from its disagreement to the amendment of the Senate numbered 20, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$504,750"; and the Senate agree to the same.

Amendment numbered 30: That the House recede from its disagreement to the amendment of the Senate numbered 30, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$10,192,000"; and the Senate agree to the same.

Amendment numbered 37: That the House recede from its disagreement to the amendment of the Senate numbered 37, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$858,100"; and the Senate agree to the same.

Amendment numbered 42: That the House recede from its disagreement to the amendment of the Senate numbered 42, and agree to the same with an amendment as follows: Restore the matter stricken out by said amendment, amended to read as follows:

"SURVEY OF BATTLEFIELDS

"For defraying the cost of studies, surveys, and field investigations authorized in the act entitled 'An act to provide for the study and investigation of battlefields in the United States for commemorative purposes,' approved June 11, 1926, $15,000";

And the Senate agree to the same.

Amendment numbered 43: That the House recede from its disagreement to the amendment of the Senate numbered 43, and agree to the same with an amendment as follows: In lieu of the sum proposed, insert "$1,000,000"; and the Senate agree to the same.

Amendment numbered 44: That the House recede from its disagreement to the amendment of the Senate numbered 44, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment, insert the following: "Of which not to exceed $150,000 may be expended for the purpose of riprapping the bank and channel-mattressing the river at Vicksburg, Miss., at such a point and in such a manner as may be necessary to make possible the permanent establishment of an interchange terminal at that point between railways and the vessels of the Inland Waterway Corporation"; and the Senate agree to the same.

The committee of conference have not agreed on amendments numbered 1 and 34.

J. W. WADSWORTH, Jr.,
W. L. JONES,
DAVID A. REED,
DUNCAN U. FLETCHER,
WILLIAM J. HARRIS,
Managers on the part of the Senate.

HENRY E. BARBOUR,
FRANK CLAGUE,
L. J. DICKINSON,
BEN JOHNSON,
T. W. HARRISON,
Managers on the part of the House.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator from New York explain the amendments which are not in agreement, and in that connection state the effect of the conference report?

Mr. WADSWORTH. Mr. President, amendments No. 1 and No. 34 are of such character as to require a vote of the House of Representatives, the conferees on the part of the House not being authorized to yield to the Senate on those particular matters as they involve legislation on an appropriation bill under their rules.

Mr. ROBINSON of Arkansas. To what subjects do they relate?

Mr. WADSWORTH. Very unimportant subjects.

Mr. WARREN. The House conferees must take the items back with the understanding that they have been agreed to provided the House does not object when they are taken back to the House.

Mr. WADSWORTH. For several years past the Army appropriation bill, under the heading "Contingencies, Military Intelligence Division," has been carrying this language:

Provided, That section 3648, Revised Statutes, shall apply neither to subscriptions for foreign and professional newspapers and periodicals nor to other payments made from appropriations contained in this act in compliance with the laws of foreign countries under which the military attachés are required to operate.

The House Committee on Appropriations reported the bill with that language in it. It went out on a point of order on the floor of the House on the ground that it was legislative in character. The House conferees agreed to place it back and take it back to the House for a separate vote. A similar situation obtains with respect to amendment numbered 34, certain language which has been carried in the appropriation bill for a long time having gone out in the House on a point of order. The House conferees desire that it be reinstated, and it is necessary for the House to take separate action on it.

The PRESIDENT pro tempore. The question is on agreeing to the conference report.

The report was agreed to.

LAND AT BATTERY COVE, NEAR ALEXANDRIA, VA.

Mr. WADSWORTH submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 11615) providing for the cession to the State of Virginia of sovereignty over a tract of land located at Battery Cove, near Alexandria, Va., having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same.

J. W. WADSWORTH, Jr.,
DAVID A. REED,
DUNCAN U. FLETCHER,
Managers on the part of the Senate.

W. FRANK JAMES,
JOHN PHILIP HILL,
PERCY QUIN,
Managers on the part of the House.

The report was agreed to.

ASSOCIATION SIERVAS DE MARIA, SAN JUAN, P. R.

Mr. WADSWORTH submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 10728) authorizing the Secretary of War to convey to the Association Siervas de Maria, San Juan, P. R., certain property in the city of San Juan, P. R., having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same.

J. W. WADSWORTH, Jr.,
DAVID A. REED,
HIRAM BINGHAM,
DUNCAN U. FLETCHER,
MORRIS SHEPPARD,
Managers on the part of the Senate.

W. FRANK JAMES,
HUBERT F. FISHER,
JOHN PHILIP HILL,
Managers on the part of the House.

The report was agreed to.

LOANS ON ADJUSTED SERVICE CERTIFICATES

Mr. ASHURST. Mr. President, House bill 16886, which passed the House on February 7, has been reported favorably without amendment from the Committee on Finance. It is the bill to authorize the Director of the United States Veterans' Bureau to make loans to veterans upon the security of adjusted service certificates. Obviously the Senate will not take up the bill this afternoon, but I see that my amiable friend, the chairman of the committee, the senior Senator from Utah [Mr. SMOOT], is present. I should like to propose to him the advisability of a night session to-night or to-morrow night to consider this important measure, because unless it be disposed of soon it may be lost in the general confusion incident to the close of a short session.

Mr. SMOOT. Mr. President, I will say to the Senator that I may ask to-morrow for a night session on Friday. I can not ask for a night session to-morrow night because I know of a number of Senators who have engagements who could not be here and who have requested that no night session be had Thursday night. But some time to-morrow I will know about the possibility of having a night session on Friday.

Mr. ASHURST. I assume there is no minority report and that the Finance Committee was unanimous.

Mr. SMOOT. No; the Finance Committee was not unanimous, but a majority of the committee voted to report out the bill.

Mr. ASHURST. I am quite content with the assurance of the Senator from Utah that we will take up the bill some evening later this week or early next week.

Mr. SMOOT. I will say to the Senator that every endeavor will be made to pass the bill.

Mr. ASHURST. I am quite content.

STATE, JUSTICE, ETC., APPROPRIATIONS

Mr. JONES of Washington submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 16576) making appropriations for the Departments of State and Justice and for the judiciary, and for the Departments of Commerce and Labor, for the fiscal year ending June 30, 1928, and for other purposes, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 9.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 14, 17, 19, 21, 22, 26, 27, 28, 29, 31, 32, and 33, and agree to the same.

Amendment numbered 12: That the House recede from its disagreement to the amendment of the Senate numbered 12, and agree to the same with an amendment as follows: Restore the matter stricken out by said amendment amended to read as follows: "*Provided*, That traveling expenses of the commission or secretary shall be allowed in accordance with the provisions of the subsistence expense act of 1926:"; and the Senate agree to the same.

Amendment numbered 15: That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment as follows: In lieu of the sum named in said amendment insert "$30,000"; and the Senate agree to the same.

Amendment numbered 16: That the House recede from its disagreement to the amendment of the Senate numbered 16, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$150,000"; and the Senate agree to the same.

Amendment numbered 18: That the House recede from its disagreement to the amendment of the Senate numbered 18, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$700,000"; and the Senate agree to the same.

Amendment numbered 20: That the House recede from its disagreement to the amendment of the Senate numbered 20, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$3,091,500"; and the Senate agree to the same.

Amendment numbered 23: That the House recede from its disagreement to the amendment of the Senate numbered 23, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$435,000"; and the Senate agree to the same.

Amendment numbered 24: That the House recede from its disagreement to the amendment of the Senate numbered 24, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$20,000"; and the Senate agree to the same.

Amendment numbered 25: That the House recede from its disagreement to the amendment of the Senate numbered 25, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$810,440"; and the Senate agree to the same.

Amendment numbered 30: That the House recede from its disagreement to the amendment of the Senate numbered 30, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$2,519,060"; and the Senate agree to the same.

The committee of conference have not agreed on amendment numbered 13.

W. L. JONES,
REED SMOOT,
FREDERICK HALE,
LEE S. OVERMAN,
WM. J. HARRIS,
Managers on the part of the Senate.

MILTON W. SHREVE,
GEORGE HOLDEN TINKHAM,
ERNEST R. ACKERMAN,
W. B. OLIVER,
ANTHONY J. GRIFFIN,
Managers on the part of the House.

The report was agreed to.

PUBLIC BUILDINGS

Mr. McKELLAR. Mr. President, on January 19, 1927, the Public Buildings Commission received a letter from the Hon. George R. Farnum, Assistant Attorney General, with reference to section 4 of the public building act. In this connection it seems that the Assistant Attorney General has gone directly contrary to the provisions of the act. I ask unanimous consent that the letter may be printed in the RECORD at this point for the information of Senators.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The letter is as follows:

DEPARTMENT OF JUSTICE,
Washington, D. C., January 19, 1927.

The Hon. CARL T. SCHUNEMAN,
Assistant Secretary of the Treasury, Washington, D. C.

DEAR MR. SCHUNEMAN: In accordance with the suggestion made to me at the conference this morning at your office, which I attended on behalf of the Attorney General, I am submitting herewith an informal memorandum incorporating the substance of the oral opinion which I gave at some length as to the construction of certain provisions of the act of Congress approved May 25, 1926, and entitled "An act to provide for construction of certain public buildings, and for other purposes."

The provisions involved deal with the question of the submission of estimates by the Secretary of the Treasury to the Bureau of the Budget, as provided in section 4 of the act, and constitutes the first proviso, which, with the preceding part of the section, reads as follows:

"The Secretary of the Treasury shall submit annually, and from time to time as may be required, estimates to the Bureau of the Budget, in accordance with the provisions of the Budget and accounting act, 1921, showing in complete detail the various amounts it is proposed to expend under the authority of this act during the fiscal year for which said estimates are submitted, which shall include a statement of the location of the buildings proposed to be erected, together with a limit of cost for the same: *Provided*, That in submitting such estimates the Secretary of the Treasury shall allocate the amounts proposed to be expended to the different States where buildings are found by him to be necessary, in such a manner as to distribute the same fairly on the basis of area, population, and postal receipts."

The conference developed some differences of opinion as to the scope and meaning of these words.

From a consideration of the entire act it seems to me that the legislative intent is apparent and that the problem can be solved by a study of the bill alone and without the necessity of resort to congressional debates or other outside help.

In dealing with the manner of the expenditure of moneys appropriated for use without the District of Columbia and excluding the provisions of section 3, it is apparent that Congress approached the question from two points of view. The first approach involved a determination by Congress itself of minimum requirements for public buildings, and in this connection it was provided that each State should be allotted two such buildings, regardless of any question of the relative needs of the individual States. This constituted an assurance that at all events each would start on more or less of an equal footing with every other State in participation in the benefits of the measure.

In the second approach, and over and above the minimum needs legislatively determined and provided for as explained, Congress has deferred to the judgment and decision of the Secretary of the Treasury as to the manner of disbursing the balance of the appropriation and in that connection has vested him with wide discretionary powers. Congress, however, has not left the matter entirely to a judgment uncontrolled by any legislative standards or suggestions as to congressional purpose. While the power is unquestionably conferred on the Secretary of the Treasury, the discretion involved is nevertheless controlled by the provisions of section 4, appearing in the first proviso, and appears in the following words:

"That in submitting such estimates the Secretary of the Treasury shall allocate the amounts proposed to be expended to the different States, where buildings are found by him to be necessary, in such a manner as to distribute the same fairly on the basis of area, population, and postal receipts."

In the first place, the allocation is to be by States and is to be in accordance with their respective necessities to be "found by him." Congress has refrained from defining the precise connotation of this term as used in the statute and has expressly left to the Secretary of the Treasury not only a determination of the existence of the necessity, but likewise of the extent and scope thereof, thereby making him the sole judge in respect thereto. While the discretion thus conferred is a wide one, doubtless it is subject, in its exercise, to rational judgments and reasonable decision.

Having determined the respective necessities of the several States in respect to the need for the type of public buildings for which the appropriation was provided, the next question for the Secretary to consider is the satisfaction of these necessities. Congress contemplated, of course, a situation in which the necessities as existing and determined would exceed in their monetary requirements the amount appropriated and that after the allocation of the entire amount available there would doubtless remain a large residuum of unsatisfied necessities. In other words, Congress contemplated the fact that the Secretary of the Treasury would be required to make a determination as to how money, insufficient to satisfy the whole, would be apportioned between the competing necessities.

Here again the determination is to be in the judgment of the Secretary, but he has been afforded by Congress certain standards by which his discretion is to be exercised, and it is provided that the distribution in the latter contingency be "in such a manner as to distribute the same fairly on the basis of area, population, and postal receipts." Doubtless there can be read into this provision the words "so far as applicable," in deciding this question of fairness. The Secretary is, moreover, directed, in determining what shall be "fair"—a word which affords some latitude for decision—to consider each of the three elements referred to.

The first consideration is that of area. In view of the divergent size of the States, one from the other, and the convenience and expense involved in traveling to points where Government facilities are afforded, it was not deemed unreasonable that this element should be considered. Secondly, the question of population to be served is an important item as necessities of large centers of population much exceed those of communities sparsely inhabited. Doubtless there is conflict between the demands of area and population so that the two are set off, one against the other, out of which a compromise is intended to be effected in the matter of decision, which can be fairly characterized as "fair." The third element is postal receipts. Probably its application is to be wholly or largely confined to the furnishing of buildings designed to serve the Postal Department.

Congress has not furnished any artificial measure by which to weigh the cogency that each of these considerations is to have with the Secretary of the Treasury. He is to take them all into consideration so far as applicable, and having given them the due weight which, in his judgment, their prominence in the statute entitles them to receive, he is to make his decision as to what is fair and his allocation accordingly.

The foregoing construction is deemed to be a rational and reasonable one, and to place the subject matter on a common-sense basis and to lend itself to a practical and efficient carrying out of the statute. It vests, of course, in the Secretary of the Treasury, the sole determination of important questions, but in so doing it very properly leaves these decisions to a department which can look at the matter in a broad and impartial fashion and which has the facilities for collecting and weighing the material and relevant facts which are involved in the determination of the question, first of what is necessary, and then what is fair, guided by the tests suggested.

The foregoing is furnished as a matter of courtesy only and because desired by the entire conference, and is not, of course, to be regarded as a formal legal opinion of the Attorney General furnished in accordance with departmental practice.

Respectfully,

For the Attorney General:

GEORGE R. FARNUM,
Assistant Attorney General.

Mr. LENROOT. Mr. President, I am very anxious to bring up the House amendment to Senate bill 4663, known as the public buildings bill, because unless it is acted upon very soon it will mean that we can not get the appropriation for this year into the deficiency appropriation bill. I would like to ask unanimous consent for the immediate consideration of the House amendment to that bill.

The PRESIDENT pro tempore. Is there objection?

Mr. BRATTON. In the absence of the Senator from Tennessee [Mr. MCKELLAR]——

Mr. SMOOT. The Senator from Tennessee was here just a moment ago.

Mr. BRATTON. But he has left the Chamber now.

Mr. FLETCHER. What is the bill to which the Senator from Wisconsin refers?

The PRESIDENT pro tempore. The public buildings bill.

Mr. BRATTON. I do that because the Senator from Tennessee has expressed to me a desire to be present when the matter is considered.

Mr. LENROOT. The Senator from Tennessee was here only a moment ago.

Mr. BRATTON. Yes; but he is not in the Chamber just now.

Mr. NORRIS. Mr. President, may I ask a question?

The PRESIDENT pro tempore. Does the Senator from Colorado yield to the Senator from Nebraska?

Mr. NORRIS. Has the Senator from Wisconsin asked unanimous consent for the consideration of the House amendment to the bill?

Mr. LENROOT. I have asked unanimous consent to take up the House amendment to the Senate bill relative to public buildings.

Mr. NORRIS. I object, Mr. President.

The PRESIDENT pro tempore. Objection is made.

LEGISLATIVE APPROPRIATIONS

Mr. WARREN and Mr. TRAMMELL addressed the Chair.

The PRESIDENT pro tempore. Does the Senator from Colorado yield; and if so, to whom?

Mr. PHIPPS. I yield first to the Senator from Wyoming.

Mr. WARREN. I present the conference report on the legislative bill and ask for its immediate consideration.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and the clerk will read the conference report.

Mr. HEFLIN. What bill is the conference report on?

Mr. WARREN. It is on the legislative appropriation bill.

The PRESIDENT pro tempore. The Senator from Colorado [Mr. PHIPPS] yielded to the Senator from Wyoming [Mr. WARREN], who sought unanimous consent to present the conference report on the legislative appropriation bill. Is there objection? The Chair hears none, and the clerk will read the report of the committee of conference.

The Chief Clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 16863) making appropriations for the legislative branch of the Government for the fiscal year ending June 30, 1928, and for other purposes, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 11 and 16.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 7, 8, 9, 10, 12, 13, and 14, and agree to the same.

Amendment numbered 15: That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "$564,805"; and the Senate agree to the same.

The committee of conference have not agreed on amendment numbered 6.

F. E. WARREN,
REED SMOOT,
CHARLES CURTIS,
WM. J. HARRIS,
Managers on the part of the Senate.

L. J. DICKINSON,
JOHN W. SUMMERS,
FRANK MURPHY,
EDWARD T. TAYLOR,
Managers on the part of the House.

The PRESIDENT pro tempore. The question is on the agreeing to the conference report.

The report was agreed to.

THE EUROPEAN CORN BORER

Mr. WARREN. From the Committee on Appropriations I report back favorably without amendment the joint resolution (H. J. Res. 359) making an appropriation for the eradication or control of the European corn borer, and I submit a report (No. 1496) thereon.

The joint resolution relates to a measure which the Senate passed some days ago having to do with the eradication of the European corn borer. The joint resolution provides an appropriation of $10,000,000 for the purpose of carrying the previous measure into effect. I ask unanimous consent for the immediate consideration of the joint resolution.

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the joint resolution, which was read, as follows:

Resolved, etc., That to enable the Secretary of Agriculture to carry into effect the provisions of the act entitled "An act to provide for the eradication or control of the European corn borer," approved February 9, 1927, including all necessary expenses for the purchase of equipment and supplies, travel, employment of persons and means in the District of Columbia and elsewhere, rent outside the District of Columbia, printing, purchase, maintenance, repair, and operation of passenger-carrying vehicles outside the District of Columbia, and for such other expenses as may be necessary for executing the purposes of such act, there is appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $10,000,000 to remain available until June 30, 1928: *Provided*, That no part of this appropriation shall be expended until all the States in the proposed control area shall have provided necessary regulatory legislation and until a sum or sums adequate in the judgment of the Secretary of Agriculture, to the cooperation of all the States in such area shall have been appropriated, subscribed, or contributed by State, county, or local authorities, or individuals or organizations: *Provided further*, That a report shall be made to Congress at the beginning of the first regular session of the Seventieth Congress setting forth in detail a classification of expenditures made from this appropriation prior to November 1, 1927.

The joint resolution was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

SITE FOR AVIATION TRAINING FIELD, NEAR PENSACOLA, FLA.

Mr. TRAMMELL. Mr. President——

Mr. PHIPPS. I yield to the Senator from Florida.

Mr. TRAMMELL. From the Committee on Naval Affairs I report back favorably without amendment the bill (S. 5622) authorizing the acceptance by the Navy Department of a site for an aviation training field in the vicinity of Pensacola, Fla., and for other purposes, and I submit a report (No. 1497) thereon.

Mr. FLETCHER. Mr. President, I ask unanimous consent for the present consideration of the bill just reported by my colleague. Its consideration will involve no discussion. It merely authorizes the Secretary of the Navy to accept a gift of 500 acres of land near Pensacola, Fla., for an aviation training field.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill. It authorizes the Secretary of the Navy to accept on behalf of the United States, free from encumbrances and without cost to the United States, the title in fee simple to such land as he may deem necessary or desirable, in the vicinity of Pensacola, Fla., approximately 500 acres, as a site for an aviation training field to continue landplane training from the United States naval air station, Pensacola, Fla.

The bill was reported to the Senate without amendment, ordered to be engrossed for a third reading, read the third time, and passed.

Mr. FLETCHER. I ask unanimous consent that the report of the Committee on Naval Affairs on the bill which has just been passed may be printed in the RECORD at this point.

There being no objection, the report (No. 1497) submitted by Mr. TRAMMELL on February 16, 1927, was ordered to be printed in the RECORD, as follows:

[S. Rept. No. 1497, 69th Cong., 2d sess.]

AUTHORIZING THE ACCEPTANCE BY THE NAVY DEPARTMENT OF A SITE FOR AN AVIATION TRAINING FIELD IN THE VICINITY OF PENSACOLA, FLA.

Mr. TRAMMELL, from the Committee on Naval Affairs, submitted the following report (to accompany S. 5622):

The Committee on Naval Affairs to whom was referred the bill (S. 5622) authorizing the acceptance by the Navy Department of a site for an aviation training field in the vicinity of Pensacola, Fla., and for other purposes, having had the same under consideration, report favorably thereon, without amendment, and recommend that the bill do pass.

Prior to the summer of 1922 flying instruction to naval personnel was given only in seaplanes. The reason for this was that there was thought to be very little need for naval officers or enlisted men to be qualified in flying landplanes, as this was considered to be the work of the Army Air Service. Following the conversion of the U. S. S. *Langley* as an airplane carrier, it became apparent that it would be necessary for naval personnel to be trained in landplanes, in order that landings could be made on the deck of the *Langley* and the other airplane carriers to be built. Captain Mustin, assistant chief of the Bureau of Aeronautics during the winter of 1921–22, went to Pensacola with the idea of looking around for a suitable site for the training of aviators in landplanes. The chamber of commerce and the commissioners of Escambia County became interested and desirous of having landplane training carried on at Pensacola, and offered the site now known as Corry Field, without cost to the Government, for a period of five years. The leases obtained from the owners of the property contained an option of purchase at a cost of approximately $56,000 at any time up to July 1, 1927. These leases were approved by the Secretary of the Navy, and flying from Corry Field began in the summer of 1922. No permanent improvements were made, and very temporary facilities, such as a small barracks building, mess hall, garage, and storehouse, were erected to supply the requirements until the land could be obtained by the Government or similar facilities could be erected at another site on land obtained by the Government for the purpose of landplane training. The Navy has occupied Corry Field continuously since the summer of 1922, and the results obtained have been very satisfactory.

During the past six months the chamber of commerce and the commissioners of Escambia County have been endeavoring to secure the purchase of Corry Field and an additional area of 250 acres (the Bureau of Aeronautics desiring that a tract of at least 500 acres be procured by the Navy Department in the vicinity of Pensacola for the purpose of landplane training). It was found that the owners of this property were demanding a price more than the land was worth, and the matter was put up to the Bureau of Aeronautics with the idea

that the chamber and commissioners would offer 500 acres in a different location, provided this would be acceptable to the Bureau of Aeronautics and the Navy Department. The Bureau of Aeronautics considered that a site nearer than Corry Field to the air station would be more acceptable than the site at Corry Field, provided that an area of 500 acres could be obtained. The chamber of commerce and commissioners finally have been able to obtain 500 acres in the Prieto grant, which are now offered to the Government without cost, and with the understanding that the chamber and commissioners will place 250 acres of the tract in condition for flying, construct a railroad spur to the site, and construct and keep in repair a hard-surfaced road from the West Pensacola road to the site. This tract and the conditions under which the chamber and commissioners agree to turn it over to the Government meets with the approval of the Bureau of Aeronautics and the Secretary of the Navy.

The Prieto tract will have many advantages over Corry Field, which are as follows:

(a) Closer to naval air station by 5 miles.

(b) Elimination of a great deal of flying over the city of Pensacola to reach Corry Field.

(c) Saving in the transportation of supplies, men, and equipment during operations at the new site.

The advantages of training naval aviators in landplanes at Pensacola other than at some other location are as follows:

(d) The men are sent to Pensacola for seaplane training. Landplane training should follow immediately thereafter, and should the landplanes be at some other location, there would be considerable expense in transporting these men.

(e) Shops, storehouse facilities, quarters, and barracks are sufficient at Pensacola to provide for these men undergoing landplane training.

(f) Owing to the fact that the Prieto tract is so close to the naval air station, the bureau does not contemplate any extensive development at this field, as the station will be used for all major repair work on planes and as the main center of activity for the training. Some hangars may be put on the field to house the planes during the training period to avoid flying back to the station each night.

(g) Climatic and general flying conditions at Pensacola are excellent, and the bureau desires to retain the landplane training at this location.

(h) It is not desirable to have primary landplane training carried on from the field located on the naval air station of 70 acres, due to the fact that the field is too small for the purpose. It would cost a minimum of $800 an acre to enlarge this field, and even then there would be too much flying by students immediately adjacent to the station. It is much more preferable to have the landplane training apart from the seaplane training in order that the instruction can be more efficiently and safely carried on.

The bill meets with the approval of the Navy Department, as shown by the following letter from the Secretary of the Navy, addressed to the chairman of the Committee on Naval Affairs of the Senate, which is hereby made a part of this report:

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
Washington, February 9, 1927.

The CHAIRMAN COMMITTEE ON NAVAL AFFAIRS,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Replying further to the committee's communication of February 8, 1927, inclosing a copy of bill S. 5622 "Authorizing the acceptance by the Navy Department of a site for an aviation training field in the vicinity of Pensacola, Fla., and for other purposes," and requesting the Navy Department's views thereon, I have the honor to advise you as follows:

The purpose of this bill is to authorize the Secretary of the Navy to accept on behalf of the United States the title in fee simple to a tract of land containing approximately 500 acres in the vicinity of Pensacola, Fla., for use as a site for an aviation training field to continue landplane training from the United States Naval Air Station, Pensacola, Fla.

At the present time the Navy is using a site known as Corry Field, containing 250 acres, more or less, for an aviation training field. This site is located about 8 miles from the naval air station. It was made available to the Navy without cost to the Government under leases from the owners which expire on June 30, 1927. It has been in use by the Navy as an aviation training field since the summer of 1922. The leases contain options to purchase at any time prior to July 1, 1927, at an approximate cost of $56,000.

The Chamber of Commerce of Pensacola intended to exercise these options to purchase and convey title to the United States without cost. Past experience at Corry Field, however, has demonstrated the desirability of acquiring a larger area of approximately 500 acres for landplane training. The owners of the 250 acres adjoining Corry Field are demanding a price for their land which the chamber of commerce considers exorbitant, and it therefore does not feel justified in purchasing those 250 acres as an addition to Corry Field to make up the 500 acres which it desires to convey to the United States without cost.

As an alternative, the chamber of commerce now offers to convey to the United States without cost title to a site containing approximately 500 acres of the Prieto grant, located in section 56, township 2 south, range 30 west, between Pensacola and the United States naval air station and about 3 miles distant from the naval air station. The chamber of commerce further agrees, in case this site is accepted by the United States, to condition 250 acres thereof for a landing field, construct a railroad spur to the site, and construct and keep in repair a hard-surface road from the West Pensacola road to the site, all of which improvements it agrees to complete by June 30, 1927.

This latter site is considered much more desirable and advantageous for naval aviation purposes than the old site at Corry Field, as it has a much larger area; it is about 5 miles nearer the naval air station, and thus will greatly lessen transportation and communication difficulties; its location will eliminate necessity for personnel to fly over the city of Pensacola to reach it from the naval air station; and it permits relatively close concentration of station activities.

The Navy Department therefore recommends the enactment of the proposed legislation.

Sincerely yours,

CURTIS D. WILBUR,
Secretary of the Navy.

DISTRICT OF COLUMBIA APPROPRIATIONS

Mr. PHIPPS. I move that the Senate proceed to the consideration of House bill 16800, being the District of Columbia appropriation bill.

The motion was agreed to; and the Senate, as in Committee of the Whole, proceeded to consider the bill (H. R. 16800) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1928, and for other purposes, which had been reported from the Committee on Appropriations with amendments.

Mr. PHIPPS. I ask that the formal reading of the bill be dispensed with, that the bill be read for amendment, committee amendments to be first considered.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered. The clerk will proceed to read the bill.

The Chief Clerk proceeded to read the bill.

The first amendment of the Committee on Appropriations was, under the heading "General expenses, executive office," on page 3, line 18, to increase the appropriation for personal services, purchasing division, in accordance with the classification act of 1923, from $45,560 to $52,700.

The amendment was agreed to.

The next amendment was, on page 4, at the end of line 3, to change the total appropriation for the executive office from $227,120 to $234,260.

The amendment was agreed to.

The next amendment was, under the subhead "Auditor's office," on page 5, line 6, before the word "property" to insert "United States," so as to make the paragraph read:

For personal services in accordance with the classification act of 1923, $88,640, and the compensation of the present incumbent of the position of disbursing officer of the District of Columbia shall be exclusive of his compensation as United States property and disbursing officer for the National Guard of the District of Columbia.

The amendment was agreed to.

The next amendment was, under the subhead "Office of corporation counsel," on page 5, after line 8, to strike out:

Corporation counsel, including extra compensation as general counsel of the Public Utilities Commission, $6,000, and other personal services in accordance with the classification act of 1923, $40,000; in all, $46,000, and no part of this appropriation shall be available for the compensation of any person giving less than full time from 9 o'clock antemeridian to 4.30 o'clock postmeridian to his official duties.

And in lieu thereof to insert:

Corporation counsel, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall also act as general counsel of the Public Utilities Commission, $7,500, and other personal services in accordance with the classification act of 1923, $34,860; in all, $42,360.

Mr. PHIPPS. Mr. President, I desire to perfect that amendment by interlining——

Mr. FESS. Mr. President, I make a point of order against the amendment.

The PRESIDENT pro tempore. The Senator from Ohio will state his point of order.

Mr. FESS. The point of order is that the amendment proposes a change of the law on an appropriation bill, and is therefore legislation.

Mr. PHIPPS. Mr. President, in answer to that, I call attention to the fact that the House introduced a change in the provisions of existing law, which we struck out, substituting a different provision. In other words, the House has opened the door and it is the privilege of the Senate to amend the House text or to substitute its own language for the House proposal, and we considered necessary the language we have proposed.

Mr. FESS. That contention can not be sustained. Simply because the House of Representatives introduced a provision that would be subject to a point of order does not make it in order when it comes over here. Not only that, but the amendment itself is legislation and therefore is subject to a point of order.

The PRESIDENT pro tempore. As held by Vice President Marshall, the present occupant of the Chair holds that the point of order is not well taken. The question is on agreeing to the amendment proposed by the Committee on Appropriations.

Mr. WILLIS. Mr. President, I desire to be heard on the committee amendment. I understand the Chair has overruled the point of order?

The PRESIDENT pro tempore. That is correct.

Mr. WILLIS. Mr. President, I think the amendment proposed by the committee should not be agreed to. I have given some attention to this matter. The corporation counsel herein provided for is an officer of the District of Columbia; he is the legal adviser of the District Commissioners. I know of no good reason why the power of appointing the legal adviser of the District Commissioners should be taken from them and vested in the President.

As I understand the theory of the District government, it is that the President shall appoint the commissioners and they shall be held responsible for the District government. To me it is not clear upon what theory the committee proceeds when it introduces here a provision that will require the President to appoint this legal adviser of the District Commissioners, the man to whom they must look for opinions to guide them in their work, and thus have the appointee entirely separate from them and removed from them. It seems to me that the President of the United States has sufficient duties to perform without putting this extra burden upon him.

My attention was called to this matter by an article appearing in the Washington Post of this morning, an article which I ask to have read at the desk at this point.

The PRESIDENT pro tempore. Without objection, the clerk will read as requested.

The Chief Clerk read as follows:

THE CORPORATION COUNSEL

The District appropriation bill as reported to the Senate contains an amendment which provides that the corporation counsel shall be appointed by the President and confirmed by the Senate. Under existing law the corporation counsel is appointed by the District Commissioners and is removable by them. He acts as legal adviser to the commission, and conducts all District litigation, under the direction of the commissioners.

It will not promote the welfare of the District government to take away the authority of the commissioners over subordinates. The commissioners are responsible for the conduct of the local government and should be held accountable in all its branches, including the legal department. If they are prevented from exercising authority over the corporation counsel, they will be unable to direct the policy or control the acts of that official, and a conflict of opinions will surely arise to embarrass everybody concerned.

The Senate should strike out the amendment in question and leave the appointment of the corporation counsel where it is now, in the hands of the District Commissioners.

Mr. WILLIS. Mr. President, I wish to make some further observations; but if the Senator from Colorado desires to explain the amendment, I shall be glad to yield to him for that purpose.

Mr. PHIPPS. Mr. President, I call attention to the fact that the duties of the corporation counsel of the District of Columbia are dual in their nature, in that he is to act as general counsel of the Public Utilities Commission in addition to acting as corporation counsel. There has been a desire to recast the set-up in the legal department of the District of Columbia, as evidenced by the House provision that is favored by the commissioners themselves. The question of the method of appointing the corporation counsel was discussed by the Committee on Appropriations and the conclusion was reached that it would be advisable to have the appointee named by the President of the United States, relieving the commissioners of that responsibility, so that they would really have a freer hand than they would otherwise have. There is no doubt that if they desire to recommend any particular candidate to the President their advice will be given due weight and consideration.

However, I am quite willing to allow this amendment to go over for the time being, if that will be acceptable to the Senator from Ohio.

Mr. WILLIS. I think we might just as well act on it now and be done with it.

Mr. PHIPPS. We could pass on to other portions of the bill that are not controversial, and, perhaps, make some progress with the measure.

Mr. WILLIS. If the Senator thinks that would aid in furthering the progress of the bill, he knows I do not desire to delay the bill, and I am willing to let the particular amendment go over for the time being.

Mr. BRUCE. Mr. President, I merely desire to say that I share all the feelings of the Senator from Ohio in relation to this amendment, and I should like to have it disposed of.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. PHIPPS. I yield.

Mr. LENROOT. I was not present in committee when this particular item was considered. May I ask the Senator what part of the House text is legislation? It seems to me that the House text merely provides an appropriation under existing law, except for the limitation.

Mr. PHIPPS. It provides for the appointment of a corporation counsel including extra compensation——

The PRESIDENT pro tempore. The Senator from Colorado has asked unanimous consent to pass over the amendment for the time being. Is there objection?

Mr. BRUCE. I am very sorry, but I shall have to object.

Mr. LENROOT. Is a general counsel for the Public Utilities Commission not now authorized by law?

Mr. PHIPPS. Yes. One is authorized, according to my recollection.

Mr. LENROOT. Then the House text does not change the law.

Mr. COPELAND. Mr. President——

The PRESIDENT pro tempore. The Senator from New York.

Mr. WILLIS. Mr. President, I think I have the floor.

The PRESIDENT pro tempore. The Senator from Colorado has the floor. Does he yield?

Mr. WILLIS. I desire to ask the Senator from Colorado a question.

Mr. PHIPPS. If the Senator from Ohio wishes to continue his remarks I will yield to him.

The PRESIDENT pro tempore. The Chair understands the Senator from Maryland to object to the unanimous-consent request preferred by the Senator from Colorado.

Mr. BRUCE. I shall say regretfully that I object.

The PRESIDENT pro tempore. Objection is made.

Mr. WILLIS. Mr. President——

Mr. PHIPPS. I yield to the Senator from Ohio.

Mr. WILLIS. I wish to ask the Senator from Colorado whether this evidently new legislation has ever been discussed by the District Committee? Has the District Committee recommended such a change in the set-up of the District government as is proposed here?

Mr. PHIPPS. No; but the District Committee was represented by two or three of its members on the Appropriations Committee, as it is always so represented in the consideration of District appropriation bills. The District Committee assigns certain of its members, five members in all, to the Appropriations Committee for the purpose of considering the District appropriation bill.

Mr. WILLIS. Mr. President, if the Senator has concluded his statement, let me say that we are confronted with the proposition that hereafter, either as to the District or elsewhere, when legislation is desired that is fundamental in its character, that changes the nature of the organization of a department, the Appropriations Committee, because the committee having jurisdiction of matters affecting the particular department involved in the proposed change is represented, can proceed to consider and report legislation that seeks entirely to change the character of the Government. I do not believe such a proposition is tenable.

Mr. PHIPPS. Mr. President, during my eight years of service on the Appropriations Committee I know of no time when any such subterfuge has been resorted to. It is certainly not the intention of the Appropriations Committee to introduce legislation into appropriation bills. The cases where that has occurred are very rare, indeed. We try to avoid it wherever possible, and when we do have to resort to an amendment

providing legislation, if looked upon as such, we introduce it separately on the floor of the Senate rather than to write it into the bill itself.

I suggest to the Senator from Ohio that if this amendment shall be adopted by the Senate it must be taken to conference, because the Senate and the House will be in disagreement with respect to the item. If the Senate should vote the amendment in the bill it would be in conference; if it should vote it out it would still be in conference, because the two Houses will not have agreed to the original language of the House bill.

Mr. WILLIS. Mr. President, I understand, of course, what the legislative situation will be; and because the Senator and his very great committee have made that splendid record of refraining from undertaking general legislation on an appropriation bill, I am urging the Senator to the course whereby he will maintain that splendid record, and not spoil it. He is now proposing to do that to accomplish which requires substantive legislation.

If it has come to the situation in the District of Columbia that the District Committee is of opinion that counsel should no longer be appointed by the District Commissioners, but should be appointed by the President, then that substantive legislation ought to be reported from the District Committee. It ought not to come in here in this form. Anyhow, Mr. President, this is no new question. It has been up at different times.

I chance to have before me a copy of a memorandum on this point that was rendered so long ago as February 3, 1912, when the same question was raised. I think I shall ask permission to have that memorandum printed in the RECORD at this point, if I may have that permission. I shall not take time to read it.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The memorandum is as follows:

In re H. R. 17759, Sixty-second Congress, second session, entitled "A bill authorizing the President of the United States to appoint the corporation counsel for the District of Columbia."

MEMORANDUM FOR COMMISSIONER RUDOLPH

The principle of the bill is a departure from the law which successively created the corporation of Washington and the District of Columbia municipal corporations during the course of practically a century. So far as known, it is distinctly opposed to the laws creating municipal corporations in every place in the United States. The Commissioners of the District of Columbia, under existing law, are the administrative agents of the municipality known as the District of Columbia, responsible to the Congress of the United States, and heavily bonded to answer for the performance of the duties of their office. In that administration one of the principal officers, if not the principal officer, and on whose judgment they must necessarily rely as to matters of law which should control their actions, is the corporation counsel, and that officer is liable to them for any errors made which may occasion any mistakes in their administration in reference to legal affairs and the incidents connected therewith.

Hence there is referred to this officer a vast variety of papers calling for opinions on the legal aspects of the multitude of questions upon which the commissioners are called to act. He reviews the recommendations of all the other heads of departments and, subject to the ultimate review of the commissioners, passes upon the legality of the acts, active or passive. In each particular instance in the review of the ministerial acts of the commissioners called in question before the courts of law the duty, first, of advising the commissioners in respect to what action they should take, and, second, in defending the action taken on his advice, is devolved on the corporation counsel. He is their officer before the court in all matters involving the affairs of the commissioners and the heads of the various District departments. The corporation counsel is more or less also called upon to advise as to administrative matters, and frequently is asked to outline a plan of action to be submitted to the commissioners for their approval, modification, or disapproval.

In all affairs in which the District as a municipality is brought before the courts, and in many of the relations between the District of Columbia and the community at large, the corporation counsel acts as the representative of the commissioners and of the municipality known as the District of Columbia.

This brief recital will show the necessity and propriety of reposing in the commissioners the authority to appoint the corporation counsel because of his intimate relationship as an official and because such intimacy demands and requires that this official shall be personally agreeable to and answerable for his acts to them.

To divorce the office of the corporation counsel from the office of the commissioners would create a divided responsibility and tend to create discord. It must be assumed, of course, that the corporation counsel will do his duty and that the commissioners will perform their duties; hence it can not be assumed that the commissioners by the appointment of a corporation counsel will seek to influence him so as to compel him to take action which is contrary to law or to the proper administration of municipal affairs. If the contrary should be assumed, then neither the commissioners nor the corporation counsel properly represent the public, and neither should be continued in office. The commissioners are entitled, because of their public responsibilities and private pecuniary liabilities, to have the choice of their principal legal advisor. It would be an anomaly to appoint an officer under whose advice they might be obliged to assume heavy responsibilities and who might personally be otherwise than agreeable. If the President of the United States should be given the power to appoint the corporation counsel, it would be undoubtedly the duty of that official to report directly to the President many matters of municipal administration and to receive suggestions about the course of conduct which should be thought advisable to pursue. Matters in the discretion of that official or matters in the discretion of the commissioners which come before that official are now referred to. Suits involving the question of settlement of claims against the District of Columbia, affairs relating to the promulgation of building, police, plumbing, and health regulations, administrative in character and not judicial, coming before that officer might require, if not compel him, to bring the matters to the attention of the President; and if referred by the President to some judicial officer of the United States unacquainted with the intricacies of the laws and practices relating to the government of the District of Columbia and his opinion taken, confusion and delay would inevitably follow. In fact, the measure looks to the disintegration of the District of Columbia as a municipality and to a divided and discordant administration; it will not be otherwise (unless the whole of the government of the District of Columbia be turned over to the Federal authorities) than detrimental to the interests of the public and of the citizens of the District of Columbia.

Respectfully submitted.

E. H. THOMAS, *Corporation Counsel.*

Mr. WILLIS. In that memorandum it is pointed out that this is a substantive change in the form of government of the District; that this official is the official upon whom the District Commissioners must rely for their guidance in legal matters; and I submit to the Senator, as a great business man as well as a great Senator, that if he is to depend upon somebody for legal opinions he would not like to have that somebody selected in some other quarter. It seems to me that the relationship between the District Government on the one hand and counsel on the other is such that this counsel ought to be selected as he has been heretofore, and as the law now provides, by the District Commissioners.

If it shall be said—I do not know that this is the case at all; I know nothing about the personnel of the matter—if the District Commissioners want a change in the corporation counsel, they have the power to make that change. There is no reason why that burden should be placed upon the President of the United States. I think there is little enough power in the District and its officials now without adopting this amendment proposing to give the President additional power. I am very certain the President does not desire any such additional power. I think there are enough officers here who are appointive officers now.

Mr. COPELAND. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Ohio yield to the Senator from New York?

Mr. WILLIS. I yield to the Senator from New York.

Mr. COPELAND. I am always somewhat distrustful of my conclusions when I am in full agreement with the Senator from Ohio, but on this occasion I certainly am. I can not see why the District Commissioners should be deprived not alone of the privilege but of the responsibility of choosing a corporation counsel. It is the practice in almost every city that the mayor selects his own corporation counsel, and he should, because he is responsible for the administration of affairs; and a lawyer, as I understand, is very likely to follow the wishes of his employer. The District Commissioners represent the mayoralty, the administration of affairs in the city; and I am perfectly clear in my mind that this appointment should be in the hands of the commissioners.

I have no objection to the increase of salary proposed; but, if I understand the temper of this community, the citizens' associations are unwilling to have this change made, and I think it makes for a breakdown in government and does not make for a coordinated, harmonious administration of municipal affairs such as we desire to have in the District of Columbia.

Mr. PHIPPS. Mr. President, if the Senator will permit me to make just a few remarks, perhaps we can save a little time.

Mr. WILLIS. I yield to the Senator.

Mr. PHIPPS. First of all, the House committee was absolutely convinced that a recasting of the legal force should be had at this time.

Mr. WILLIS. Mr. President, will the Senator permit a question? What House committee does he mean—the House Committee on Appropriations or the House District Committee?

Mr. PHIPPS. I am speaking now of the Appropriations Committee of the House.

Mr. WILLIS. Exactly.

Mr. PHIPPS. I do not know whether the District Committee of the House was consulted or not; but the House Committee on Appropriations wrote into this bill language that has been accepted by the House.

Mr. BRATTON. Mr. President, will the Senator yield to me?

The PRESIDENT pro tempore. The Senator from Ohio has the floor.

Mr. WILLIS. I yield to the Senator from New Mexico.

Mr. BRATTON. I do not want to interrupt the Senator from Colorado.

Mr. PHIPPS. I supposed I was permitted to make an explanation that would clarify the atmosphere.

Mr. WILLIS. Very well.

Mr. PHIPPS. If the Senator will permit me to do so for just a minute or two, I will proceed.

Mr. WILLIS. Certainly. I desire to be courteous to the Senator.

Mr. WARREN. Mr. President, the Senator in charge of the bill has the floor.

Mr. WILLIS. Mr. President, I have the floor.

Mr. WARREN. But the Senator can not keep it all day.

Mr. PHIPPS. I yielded to the Senator for a purpose. Then I understood the Senator yielded back, in order that I might make a statement.

Mr. WILLIS. I understood that the Senator had concluded his statement, and I again took the floor.

Mr. PHIPPS. Not at all.

Mr. WILLIS. Mr. President, a parliamentary inquiry. Who has the floor?

The PRESIDENT pro tempore. The Chair understood the Senator from Ohio to have the floor to speak on the amendment.

Mr. WILLIS. That is the understanding of the Senator from Ohio. I yield to the Senator from Colorado for a brief explanation or a question.

Mr. PHIPPS. I thank the Senator.

The House committee, as I attempted to say, thought, in the interest of the public welfare, that the legal department of the District should be recast. They have expressed to us—I want to modify my statement there in a little particular, because this comes, perhaps, second hand from the District Commissioners—that the service they have been getting has not been prompt enough; it has not been efficient enough; the business has grown to such an extent that they feel that the present incumbent as general counsel has not been able to cover the legal, technical part and at the same time administer the affairs of the office. Therefore, they proposed to demote the present general counsel and put in his place another man selected by the commissioners.

Our committee is of opinion that to demote a man does not bring about efficient service; that to get the talent the District should have it is necessary to pay the compensation named by the Senate committee—$7,500 a year. The Senate committee is not particularly concerned whether the general counsel is named by the President or named by the commissioners. What we are after is effective administration of affairs in the legal department.

Our recasting of the figures means that a new man to take the place of the incumbent, at an increase in salary of $1,500 a year, drops out the man proposed by the House as an extra man at $5,200 a year, so that the Senate figures, it would be noted, total $42,360 as against $46,000 as the bill passed the House.

I want to ask if it would be agreeable to the Senator from Ohio, the Senator from Maryland, the Senator from New York, and perhaps the Senator from New Mexico—to whom I shall be glad to yield as soon as I may—if we were to strike out, following the words "corporation counsel," on line 17, page 5, the words "who shall be appointed by the President, by and with the advice and consent of the Senate, and," leaving it simply to name the corporation counsel, "who shall also act as general counsel of the Public Utilities Commission, $7,500."

Mr. FESS. Mr. President, will the Senator yield?

Mr. PHIPPS. I yield.

Mr. FESS. That is the question that is in my mind—why, if we desire to recast, we are changing the appointing power; why we take from the commissioners the power to appoint and put it in the President.

Mr. PHIPPS. I merely say that it seemed to be the view of the subcommittee of the Committee on Appropriations, and when we put it up to the full committee no objection was made to the language of this amendment.

Mr. FESS. The change in the personnel does not concern me, but I am uncertain about changing the appointive power.

Mr. JONES of Washington and Mr. BRATTON addressed the Chair.

Mr. WILLIS. I yield to the Senator from Washington.

Mr. JONES of Washington. Mr. President, as one member of the committee I am going to say frankly that the general impression I have gotten for a good, long while is that the corporation counsel of this District, while a very fine man, is not especially qualified for this very responsible place. The committee were trying to get rid of that state of affairs. If the commissioners would not do it, we thought we ought to make this provision here.

Mr. BRUCE. Mr. President——

Mr. HOWELL. Why will not the commissioners do it?

Mr. JONES of Washington. I do not know why they will not do it.

Mr. HOWELL. Did the committee give any reason why the commissioners would not do it?

Mr. JONES of Washington. They have not done it.

Mr. PHIPPS. If I may answer the Senator—it will take only a moment—the fact is that in their expressions to us their evident purpose was to demote the present corporation counsel and retain him at a salary of $5,200 a year, and we do not believe that that is good administration.

Mr. BRATTON. Mr. President——

Mr. WILLIS. I now yield to the Senator from New Mexico.

Mr. BRATTON. I think the explanation the Senator from Colorado has made emphasizes the fact that the provision in the bill violates the rule, because he says the purpose is to change the entire cast under existing law. I am informed that under existing law the appointive power rests in the commissioners. It is proposed here in an appropriation bill to take away that power from the commissioners and vest it in the President, in order to recast the entire fabric of existing law; but if we adopt the amendment proposed by the Senator from Colorado just now to strike out this language, "who shall be appointed by the President, by and with the advice and consent of the Senate," it seems to me the entire question will be changed.

The PRESIDENT pro tempore. Does the Chair understand the Senator from Colorado to propose that amendment?

Mr. PHIPPS. Yes; I offer that amendment to the committee amendment.

The PRESIDENT pro tempore. The question is on agreeing to the amendment proposed by the Senator from Colorado to the amendment of the committee.

Mr. WILLIS. Mr. President, before a vote is taken upon that amendment I desire to say that it seems to me that the statements that have been made by the Senator from Colorado, and particularly by the Senator from Washington, have at last let the cat out of the bag. There seems to be some difficulty here about the corporation counsel. If that be the case, I am unable to see why by provision of law we should undertake to transfer that distressing problem, if it be such, from the District Commissioners to the President of the United States. In other words, I come back to the original thesis: If we are to change substantive law, it should be changed by recommendation of the regular District Committees of the House and the Senate. It is admitted here that this proposition has not been considered by the District Committee of the House, nor has it been considered by the District Committee of the Senate, and yet it is a fundamental proposition.

There is another reason suggested by the Senator from New York that it seems to me ought to be controlling. If this counsel shall be appointed by the President of the United States, so that the responsibility rests upon the shoulders of the President, if anything goes wrong in District affairs, it can be easily said then by the District Commissioners: "Well, we were incorrectly advised by this official appointed by the President of the United States." In other words, you have decentralized authority. Instead of making for good administration you have encouraged bad administration.

It seems to me the only safe thing to do is to vote down the amendment that has been brought in here by the Committee on Appropriations.

Mr. BRUCE. Mr. President, I do wish to second, and to second most earnestly, what the Senator from Ohio [Mr. WILLIS] has said upon this subject. I think, with due respect to the Senator from Washington [Mr. JONES], that of all feeble and insufficient reasons in the world that can be given for a change in the legislation, one of the feeblest and most insufficient is that the legislation is intended to legislate some individual into an office or to legislate some individual out of an office. If you

introduce that sort of personal politics, so to speak, into legislation, there is no telling where it will end.

I recall that when I was a member of the Maryland General Assembly there was a very active Democratic primary worker in one of the counties of Maryland on the Eastern Shore, and a bill was brought in to change the lines of the election district in the county in which this worker lived. The whole legislative machinery was started up for the purpose of putting that bill through, and afterwards the fact came out that the whole object of the measure was to transfer that very active and efficient Democratic primary worker from one election district of the county to another.

With due respect to the Senator from Washington [Mr. JONES], it seems to me that it would be just as petty a feat of practical politics to adopt this amendment for the purpose of legislating out of office the present incumbent of the office of corporation counsel. That sort of legislation always leads to the most pernicious results. If the man is an unfit incumbent of the office, let the commissioners dismiss him.

Mr. JONES of Washington. But they will not do that; that is the trouble.

Mr. BRUCE. Probably they know what the man's real merits and demerits are better than the Senator from Washington does or better than I do.

Mr. JONES of Washington. I do not know the corporation counsel. I have heard him highly spoken of as a man, but we should have a more competent man for this responsible place.

Mr. BRUCE. I am informed that the District Commissioners are opposed to this change suggested by the Senate committee. They do not want the change. I know whereof I speak, and if the District Commissioners are themselves so insensible to the duties of their office as to persist in keeping an unfit officeholder in office, then they themselves should be turned out.

Mr. JONES of Washington. I think there is a great deal of force in that, but of course we have new commissioners in office now, and we do not know what attitude they will take.

Mr. BRUCE. This corporation counsel is the appointee of the District Commissioners; he is subject to their oversight, and he should be amenable to their authority. We can not have any proper administration unless the general counsel of a commission like this is amenable to the authority of the commission in whose service he is enlisted.

I recall that when the public service commission law of Maryland was passed there was a provision in the law for the appointment of a people's counsel, a man to represent the people whenever questions of gas or electric light or railway rates, or whatnot, came up. Notwithstanding the fact that he was peculiarly the representative of the people, he was appointed by the commission, and most wisely the legislature came to the conclusion that the public-service commission should not have the appointment of the people's counsel; that he should be entirely aloof from any possible influence that might be exerted, with reference to the discharge of his duties, by the commission, and the Maryland Legislature changed the law. They provided that the people's counsel should be appointed by the governor instead of by the commission. On the other hand, the general counsel of the commission is appointed, under the public service commission law of Maryland, by the commission, for the very reasons that I say should apply to the appointment of this corporation counsel.

He is their servant; he is subject to their oversight; and he should be amenable at all times to their authority and not to the authority of anybody else.

There is another objection, too. We know perfectly well that if this corporation counsel is to be appointed by the President there will be the greatest amount of pressure exerted upon the President to appoint somebody from outside of the District of Columbia. I respectfully submit that the bar of the District is entitled to that office. This is a city in which there are a great number of very able lawyers, and some man from the bar of the District of Columbia should be appointed to this position. But just as surely as this amendment is agreed to, there will be an organized effort in many different directions to get the President to appoint somebody from Maryland, or somebody from Pennsylvania, or somebody from Michigan, or somebody from California.

Mr. PHIPPS. Mr. President, does the Senator understand that I have now moved to eliminate that language, so as to leave it in accordance with the present law, allowing the commissioners to appoint the corporation counsel? I have made that motion.

Mr. BRUCE. The salary is somewhat less.

Mr. PHIPPS. The salary at present is $6,000 per annum. We propose to pay a higher rate of salary in order to get the talent we think we should have to run a very large legal department.

Mr. BRUCE. It is a very important position. The whole appropriation is less.

Mr. PHIPPS. Yes; because the House not only proposes to add another $6,000 man but to keep the $6,000 man already there.

Mr. BRUCE. With the amendment suggested by the Senator, I have no objection to make.

Mr. JONES of Washington. Mr. President, just a word. When I spoke on this amendment a short time ago I hesitated to make the statement on the floor of the Senate that I did make, because I thought we could take care of this matter without any public reflection upon anybody. I agree almost entirely with the suggestion of the Senator from Maryland.

I think probably the purpose the committee had in mind has been accomplished. I agree that primarily the appointment ought to be left to the commissioners. So I am glad that the Senator having the bill in charge is willing to strike out that provision, and I think the matter will be arranged satisfactorily.

The PRESIDENT pro tempore. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

The PRESIDENT pro tempore. The Senator from Colorado proposes another amendment to the amendment.

Mr. COPELAND. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Colorado yield to the Senator from New York?

Mr. PHIPPS. I yield.

Mr. COPELAND. I want to suggest to the Senator from Washington that in all probability, since there are two new men on the commission, and there very likely will be another one very soon, there will be such a change as the Senator has suggested, so that everything the Senator has had in mind will be accomplished.

Mr. JONES of Washington. That is what I said. I think it will be arranged satisfactorily. Of course, I could not agree with the suggestion of the Senator from Maryland that the President would go outside of the District of Columbia to appoint a corporation counsel when he has the bar of the District of Columbia to choose from.

The PRESIDENT pro tempore. The clerk will state the next amendment offered by the Senator from Colorado to the committee amendment.

The CHIEF CLERK. On page 5, line 20, after the word "Commission," to insert the words "including extra compensation as said general counsel."

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The next amendment was, under the subhead "Municipal architect's office," on page 7, line 21, after the word "exceeding," to strike out "2½" and insert "3," so as to make the paragraph read:

All apportionments of appropriations for the use of the municipal architect in payment for the services of draftsmen, assistant engineers, clerks, copyists, and inspectors, employed on construction work provided for by said appropriations, shall be based on an amount not exceeding 3 per cent of the amount of the appropriation made for each project.

The amendment was agreed to.

The next amendment was, under the subhead "Office of the director of traffic," on page 9, line 7, to increase the appropriation for personal services in that office in accordance with the classification act of 1923, from $19,360 to $28,540.

The amendment was agreed to.

The next amendment was, on page 9, line 12, before the word "and" to strike out "$70,000" and insert "$75,000," so as to read:

For purchase, installation, and maintenance of traffic lights, signals, controls, and markers, painting white lines, labor, city planning in relation to traffic regulation and control, and such other expenses as may be necessary in the judgment of the commissioners, $75,000 and the appropriation of fees received for reissuing motor-vehicle operators' permits, contained in the District of Columbia appropriation act for the fiscal year 1927, is continued available until December 31, 1927:

The amendment was agreed to.

The next amendment was, under the subhead "Register of wills," on page 11, line 10, to strike out "$9,400" and insert "$10,900," so as to read:

For miscellaneous and contingent expenses, telephone bills, printing, typewriters, towels, towel service, window washing, street-car tokens, furniture and equipment and repairs thereto, purchase of books of ref-

erence, law books, and periodicals, and including $4,000 to be available immediately for the purchase and installation of a photostat machine and accessory equipment, $10,900.

The amendment was agreed to.

The next amendment was, under the heading "Contingent and miscellaneous expenses," on page 12, line 13, after the word "offices," to strike out "$49,000" and insert "$51,000," so as to read:

For printing, checks, books, law books, books of reference, periodicals, stationery; surveying instruments and implements; drawing materials; binding, rebinding, repairing, and preservation of records; purchase of laboratory apparatus and equipment and maintenance of laboratory in the office of the inspector of asphalt and cement; damages; livery, purchase, and care of horses and carriages or buggies and bicycles not otherwise provided for; horseshoeing; ice, repairs to pound and vehicles; use of bicycles by inspectors in the engineer department not to exceed $800 in the aggregate; traveling expenses not to exceed $3,000, including not exceeding $1,000 for payment of dues and traveling expenses in attending conventions when authorized by the Commissioners of the District of Columbia; expenses authorized by law in connection with the removal of dangerous or unsafe buildings; and other general necessary expenses of District offices, $51,000:

The amendment was agreed to.

The next amendment was, on page 12, line 18, after the word "awarded," to insert "where such supplies and materials are covered by schedules of the General Supply Committee," so as to make the proviso read:

Provided, That no part of this or any other appropriation contained in this act or of any appropriation which may now be available shall be expended for printing or binding a schedule or list of supplies and materials for the furnishing of which contracts have been or may be awarded where such supplies and materials are covered by schedules of the General Supply Committee.

The amendment was agreed to.

The next amendment was, on page 13, line 16, after the figures "$1,800," to strike out "in all, $88,230," and insert "executive office, one, $2,500; in all, $90,730," so as to make the paragraph read:

For maintenance, care, repair, and operation of passenger-carrying automobiles owned by the District of Columbia, $72,680; for exchange of such passenger-carrying automobiles now owned by the District of Columbia as, in the judgment of the commissioners of said District, have or shall become unserviceable, $10,000; and for the purchase of passenger-carrying automobiles as follows: Surface division, two, $900; sewer division, one, $450; electrical department, one, $450; office of director of traffic, one, $1,500; assessor's office, one, $450; assessor's office, one, $1,800; executive office, one, $2,500; in all, $90,730.

The amendment was agreed to.

The next amendment was, on page 16, line 12, after the figures "$6,500," to strike out the colon and the following proviso: "*Provided*, That no part of this appropriation shall be available for printing a pamphlet or book containing notices of sales of property for overdue taxes. The original copy of such book or pamphlet, however, shall be kept on file in the office of the collector of taxes of the District of Columbia for public inspection," so as to read:

For general advertising, authorized and required by law, and for tax and school notices and notices of changes in regulations, $6,500.

The amendment was agreed to.

The next amendment was, on page 16, after line 17, to insert:

For advertising notice of taxes in arrears July 1, 1927, as required to be given by the act of March 19, 1890, as amended, to be reimbursed by a charge of 50 cents for each lot or piece of property advertised, $6,000: *Provided*, That the printing of tax-sale pamphlets shall be discontinued, and in lieu thereof the notice of sale and a list containing a description sufficient to identify each piece of property offered for sale, and the amount due, shall be advertised once in the regular issue of one morning and one evening newspaper published in the District of Columbia: *Provided further*, That hereafter the notice, by advertising twice a week for three successive weeks in the regular issue of three daily newspapers published in the District of Columbia, shall state that the list of properties offered for sale has been published in two newspapers, giving the name of each and the date of the issue containing said list, in lieu of the statement that pamphlets have been printed and are for sale at the office of the collector of taxes.

Mr. PHIPPS. At that point, I have found, in going over this amendment after it had consideration, that a redraft would improve the language, and I submit an amendment in place of one printed in the bill.

The PRESIDENT pro tempore. The clerk will state the amendment to the amendment.

The CHIEF CLERK. To strike out the proposed amendment and insert the following:

For advertising notice of taxes in arrears July 1, 1927, as required to be given by the act of February 28, 1898, as amended, to be reimbursed by a charge of 50 cents for each lot or piece of property advertised, $6,000: *Provided*, That the printing of tax-sale pamphlets shall be discontinued and in lieu thereof the notice of sale and the delinquent tax list shall hereafter be advertised once a week for two weeks in the regular issue of one morning and one evening newspaper published in the District of Columbia; and notice shall be given, by advertising twice a week for two successive weeks in the regular issue of two daily newspapers published in the District of Columbia, that such delinquent tax list has been published in two daily newspapers, giving the name of each and the dates and the issues containing said list, and such notice shall be published in the two weeks immediately following the week in which the delinquent tax list shall have been published: *Provided further*, That competitive proposals shall be invited by the commissioners from the several newspapers published in the District of Columbia for publishing the said delinquent tax list.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The next amendment was, on page 18, after line 16, to insert:

To aid in support of the National Conference of Commissioners on Uniform State Laws, $250.

The amendment was agreed to.

The next amendment was, under the subhead "Street Improvements," on page 19, after line 18, to insert:

Northwest: For paving Forty-fourth Place, Hawthorne Street to Cathedral Avenue, $4,900.

The amendment was agreed to.

Mr. McKELLAR. I offer an amendment, which I ask to have read at this time.

The PRESIDENT pro tempore. The amendment is not in order at the present time.

Mr. PHIPPS. If it would accommodate the Senator, I would not object to having the amendment considered at this moment.

The PRESIDENT pro tempore. Without objection, the amendment will be reported.

The CHIEF CLERK. On page 19, after line 26, insert—

Southeast: For paving Potomac Avenue between Eighteenth and Nineteenth Streets.

Mr. PHIPPS. I regret to say that that is as far as I can go. I shall have to make a point of order against that item.

Mr. McKELLAR. Will not the Senator take it to conference?

Mr. PHIPPS. We could not take it to conference, because it has not been estimated for or reported by a standing committee.

The PRESIDENT pro tempore. The point of order is well taken.

The next amendment was, at the top of page 20, to insert:

Northeast: For paving Twelfth Place, Taylor Street to Upshur Street, $4,500.

The amendment was agreed to.

The next amendment was, on page 20, after line 23, to strike out:

Northeast: Fifty-seventh Street, Blaine Avenue to Dix Street, $5,000.

The amendment was agreed to.

The next amendment was, on page 21, line 7, after the words "In all," to strike out "$184,700" and insert "$189,100," so as to read:

In all, $189,100; to be disbursed and accounted for as "Street improvements," and for that purpose shall constitute one fund: *Provided*, That no part of such fund shall be used for the improvement of any street or section thereof not herein specified.

The amendment was agreed to.

The next amendment was, under the subhead "Gasoline tax, road and street fund," on page 22, after line 6, to strike out:

Southeast: Thirty-eighth Street, Alabama Avenue to Suitland Road, and Suitland Road, Thirty-eighth Street to the District line, $13,200.

Mr. BRUCE. Mr. President, I think that the item in lines 7, 8, and 9 on page 22 should, for the very best of reasons, be maintained and not stricken out as the Senate committee proposes to strike it out. Indeed, although I am always glad to be enlightened, I experience some little difficulty in concluding just by what reasoning the Senate committee was actuated in striking that item out.

I wish to read a brief history of that item, which it seems to me is enough in itself to dispense with any observations on my part. It is a letter to me from Mr. STEPHEN W. GAMBRILL,

a Member of the House of Representatives from Maryland, dated February 5, 1927, in which he says:

MY DEAR SENATOR BRUCE: I am writing you with reference to the paving and surfacing of Thirty-eighth Street and Alabama Avenue and the Suitland Road, all within the District of Columbia.

The improvement of this road, 0.4 mile, so as to connect with an improved highway leading to Suitland in Prince Georges County, was approved by the Highway Engineer of the District of Columbia, recommended by the District Commissioners, approved by the Budget, and came before the Appropriations Committee of the House as part of the road improvement program under the District of Columbia appropriation bill, H. R. 16800.

The Subcommittee on Appropriations having this bill in charge, struck out the item for the improvement of Thirty-eighth Street and Alabama Avenue, but when the House was sitting as a Committee of the Whole House on the state of the Union, I offered an amendment to this bill, providing for the improvement of this road, and this amendment was adopted on a division, by 100 ayes and 71 noes, and the bill with all amendments was afterwards adopted by the House; and the bill goes to the Senate with this item of $13,200 included.

About two years ago, the public-spirited citizens of Suitland contributed $8,000 or $9,000 for the concreting of about one-half mile of road from the District line toward Suitland. Last year the State Roads Commission of Maryland concreted another mile, and expects this year to lay another mile, which will make a concrete road from the District line to Suitland, that town being about 2½ miles from the District line.

The purpose of my amendment which has been adopted is to improve the road from the District line to where it connects with Pennsylvania Avenue extended, and, as previously stated, this distance is 0.4 mile. I bring this matter to your attention in the hope that you will be good enough to speak to some of the Senate members on the Committee on Appropriations for the District of Columbia, in order that this item may be preserved in the bill.

Very truly yours,

STEPHEN W. GAMBRILL.

It will be seen, of course, that the appropriation is very small in amount, $13,200. Before it reached the House it had been approved by the highway engineer of the District of Columbia, recommended by the District Commissioners, and approved by the Budget. The item came to the Appropriations Committee of the House as a part of the program for the District appropriation bill now pending. It seems to me that Congress ought to be even a little more generous than it ordinarily is in dealing with the improvement of highways leading from the city of Washington into the State of Maryland. As we know perfectly well, we have in Maryland one of the finest highway systems in the country. We have lavished vast amounts on it, and no portions of that highway system are finer than those in immediate contact with the city of Washington.

In this case the citizens of this little flourishing town in Prince Georges County have gone down into their pockets and contributed money toward this improvement. The State of Maryland itself has contributed toward the improvement.

It seems to me, when there is such a manifestly liberal disposition upon the part of the State of Maryland and the citizens residing in Maryland in the neighborhood of Suitland to do their part, that Congress might be willing to spend the paltry sum of $13,200 by way of cooperation with the citizens of Prince Georges County and the State of Maryland.

I can not understand why the Senate committee should have thought, after this amendment had met with general approval in so many different directions, that it was incumbent upon them to strike out the item. I really hope that the Senator from Colorado will change his mind about the item and withdraw his amendment and let it stand.

We all know that there is no one connected with Congress who gives more sedulous, more painstaking, conscientious attention to the affairs of the District of Columbia than does Senator ARTHUR CAPPER, of Kansas, one of the best chairmen I have ever known in charge of any committee since I have been in the Senate. He has written this letter to me under date of February 11, 1927:

DEAR SENATOR BRUCE: I have your letter of February 8, inclosing copy of a letter received by you from Congressman GAMBRILL, relative to an item in the District of Columbia appropriation bill providing for the paving of Thirty-eighth Street and Alabama Avenue and that part of the Suitland Road within the District. I visited this project this morning and am pleased to say that I am favorable to the appropriation in question. I hope to see the bill reported with that item included and that it will be accepted by the committee as a whole.

Mr. PHIPPS. May I ask the Senator to give me the date of the letter he just read from the Chairman of the District Committee?

Mr. BRUCE. The date was February 11, 1927.

Mr. PHIPPS. Four other members of the committee went over the same ground and, as I recall it from the check list, they were in agreement that the item should be eliminated. We have a list of all these proposals and we all check on them. We then compare notes and in this case found we were in perfect agreement.

The fact is that the proposed paving to make an outlet toward the District line, to the border of Maryland, will probably within a year or two connect up with a road that is paved from the District line. But it is not so paved today. The District of Columbia has done more in going toward Suitland by its improved streets than Maryland has done in reaching the District line from that section. According to my belief, and I have been over the ground, that is a correct statement of the situation.

Mr. BRUCE. The Senator, I suppose, noted the statement in the letter from Congressman GAMBRILL to me that about two years ago the public-spirited citizens of Suitland contributed $8,000 or $9,000 for paving about one-half mile of the road from the District line toward Suitland. In other words, in addition to what the State roads commission of Maryland has done, the citizens residing in that vicinity have gone down into their own pockets and raised the sum of $8,000 or $9,000. That is an extraordinary illustration, it seems to me, of civic liberality.

Mr. PHIPPS. The Maryland road is not paved up to the District line by any means, as the Senator must know.

Mr. BRUCE. There is no doubt of any road in the State of Maryland, if I may say to the Senator, not being completed. We have one of the finest highway systems of any State in the Union. It is kept under the very closest supervision all the time, and there is not likely to be any missing link of any kind in the chain of our great highway system that will last for any considerable period.

Mr. PHIPPS. If the Senator will permit me, I want to tell him something of the rule that guides us in fixing our judgment when passing upon the question of whether or not a street shall be paved. We require that the grading must have been done at least one year, and in the majority of cases two years, in advance of the paving, so as to allow the proper settling. We require that the abutting property shall be improved with buildings where buildings are to be constructed. As we look at Suitland's proposal, the ground where this paved road is to be put through is to be built up eventually with houses. If we lay the pavement and the houses are built afterwards, that involves cutting through the pavement for service connections, such as sewer, electric light, and gas. There has been no building along the line of the proposed pavement and that is the reason why the committee declined to approve the item. Our action was really in accord with that of the committee of the House, which visited and examined the property.

Mr. BRUCE. I am not questioning, of course, the motives of the committee.

Mr. PHIPPS. It would be making an exception to our rule to let the item go through.

Mr. BRUCE. Nevertheless the Senate committee has undertaken to set up its judgment in this respect against the judgment of the highway engineers of the District of Columbia, of the District Commissioners, and of the House of Representatives.

Mr. JONES of Washington. Mr. President, I desire to say, simply to emphasize what the Senator from Colorado has said, that four or five members of the committee examined everyone of these items on the ground. That examination was made to enable us to pass upon the items individually, following certain principles which we applied to all. I have here in my hand my list of the various streets, with notes I made on them when we examined them. Against this item, without reference to whether it leads out into Maryland or anywhere else, because I never took that into consideration at all, I have marked "out," and have also noted "unimproved," indicating that along this road the property was not improved. That rule, I think, we applied in every case. When the committee got together to consider the matter we compared notes on the various items, and we found that in almost every case we were in agreement in the memoranda we had made. This was one which we agreed, under the rules we were following, applied to all the various items should go out.

Mr. BRUCE. Of course the Senator is aware of the fact that the Senator from Kansas [Mr. CAPPER] made an actual inspection on the ground.

Mr. JONES of Washington. The Senator from Kansas was with us.

Mr. BRUCE. Then he changed his mind.

Mr. JONES of Washington. Of course I can not speak for what the Senator from Kansas noted or what he did. He was with us on the inspection trip and was a member of our committee.

Mr. BRUCE. I have just read his letter. The Senator knows that sober, second thought is always the best.

Mr. PHIPPS. The item for this paving will very likely come on in a year or two, and perhaps we would do this paving just about as promptly as Maryland would do her part of the paving on her side of the District line. I do not think the item should go in this year.

Mr. BRUCE. If we are going to lay down the rule that no appropriation of this kind is to be made in conjunction with one of the States that borders on this District of Columbia until improvements have been made along the thoroughfare, of course, we arrest the spirit of improvement. To pave the highway would lead directly to improvement, where the highway sustains such close relationship to a great city like Washington as this highway does.

I submit, in view of the conclusion that was reached about this matter by the other public authorities, that I have reached the conclusion very properly that the item ought to be allowed to remain.

Mr. President, I want the vote of the Senate on this matter.

The PRESIDENT pro tempore. Does the Senator ask for the yeas and nays, or does he suggest the absence of a quorum?

Mr. BRUCE. I note the absence of a quorum.

Mr. McKELLAR. Mr. President, I hope the Senator will withhold that suggestion.

Mr. CURTIS. Mr. President, we would like to have a short executive session which will take but a few moments. I ask the Senator if he will not withdraw his request for a quorum in order that I may move an executive session.

Mr. BRUCE. And the bill will go over until to-morrow?

Mr. CURTIS. It will.

Mr. BRUCE. Very well; I withdraw the call for a quorum.

EXECUTIVE SESSION

Mr. CURTIS. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After five minutes spent in executive session the doors were reopened, and (at 5 o'clock and 18 minutes p. m.) the Senate adjourned until to-morrow, Thursday, February 17, 1927, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate February 16 (legislative day of February 15), 1927

ASSISTANT SECRETARIES OF STATE

William R. Castle, jr., of the District of Columbia, now chief of the division of western European affairs in the Department of State, to be an Assistant Secretary of State.

Francis White, of Maryland, now a Foreign Service officer of class 2, assigned as counselor of legation at Madrid, Spain, to be an Assistant Secretary of State.

ENVOYS EXTRAORDINARY AND MINISTERS PLENIPOTENTIARY

Leland Harrison, of Illinois, now an Assistant Secretary of State, to be envoy extraordinary and minister plenipotentiary of the United States of America to Sweden.

J. Butler Wright, of Wyoming, now an Assistant Secretary of State, to be envoy extraordinary and minister plenipotentiary of the United States of America to Hungary.

Hugh R. Wilson, of Illinois, now a Foreign Service officer of class 1, and a diplomatic officer with the rank of counselor of embassy on detail in the Department of State, to be envoy extraordinary and minister plenipotentiary of the United States of America to Switzerland.

MEMBER OF INTERSTATE COMMERCE COMMISSION

Ezra Brainerd, jr., of Oklahoma, to be a member of the Interstate Commerce Commission, for a term of seven years from January 1, 1927.

COLLECTOR OF CUSTOMS

Samuel H. Thompson, of Wilkinsburg, Pa., to be collector of customs for Customs Collection District No. 12, with headquarters at Pittsburgh, Pa. Reappointment.

UNITED STATES ATTORNEY

Oliver D. Burden, of New York, to be United States attorney, northern district of New York. A reappointment, his term having expired.

PROMOTIONS IN THE NAVY

Capt. Frank H. Clark to be a rear admiral in the Navy from the 10th day of February, 1927.

Commander Frank B. Freyer to be a captain in the Navy from the 6th day of December, 1925.

Commander Harry A. Stuart, an additional number in grade, to be a captain in the Navy from the 10th day of February, 1927.

Commander William F. Halsey, jr., to be a captain in the Navy from the 10th day of February, 1927.

Lieut. Commander John L. Schaffer to be a commander in the Navy from the 4th day of June, 1926.

Lieut. Commander Hugh P. LeClair to be a commander in the Navy from the 10th day of February, 1927.

Lieut. Cornelius W. Flynn to be a lieutenant commander in the Navy from the 1st day of April, 1926.

Lieut. Horace E. Burks to be a lieutenant commander in the Navy from the 1st day of July, 1926.

Lieut. William F. Loventhal to be a lieutenant commander in the Navy from the 16th day of September, 1926.

Lieut. Milton O. Carlson to be a lieutenant commander in the Navy from the 10th day of February, 1927.

Lieut. (Junior Grade) Raymond C. Percival to be a lieutenant in the Navy from the 9th day of July, 1926.

Lieut. (Junior Grade) Clark L. Green to be a lieutenant in the Navy from the 1st day of August, 1926.

Lieut. (Junior Grade) Leo L. Pace to be a lieutenant in the Navy from the 21st day of September, 1926.

Lieut. (Junior Grade) Willard E. Dillon to be a lieutenant in the Navy from the 2d day of October, 1926.

Ensign John R. McKinney to be a lieutenant (junior grade) in the Navy from the 8th day of June, 1926.

Medical Inspector Samuel S. Rodman to be a medical director in the Navy, with the rank of captain, from the 3d day of June, 1921.

The following-named medical inspectors to be medical directors in the Navy, with the rank of captain, from the 1st day of July, 1926:

George S. Hathaway.
Edward C. White.

Surg. Willard J. Riddick to be a medical inspector in the Navy, with the rank of commander, from the 28th day of August, 1926.

Passed Asst. Surg. Russell I. Craig to be a surgeon in the Navy, with the rank of lieutenant commander, from the 4th day of December, 1925.

The following-named passed assistant surgeons to be surgeons in the Navy, with the rank of lieutenant commander, from the 1st day of July, 1926:

Edwin Peterson.	Joseph L. Schwartz.
John B. Farrior.	William W. Davies, jr.

The following-named assistant surgeons to be passed assistant surgeons in the Navy, with the rank of lieutenant, from the 16th day of March, 1926:

James F. Finnegan.
Frank K. Soukup.

The following-named dental surgeons to be dental surgeons in the Navy, with the rank of commander, from the 28th day of August, 1926:

James L. Brown.	Eugene H. Tennent.
Harry W. Blaisdell.	Cornelius H. Mack.

The following-named pay inspectors to be pay directors in the Navy, with the rank of captain, from the 1st day of July, 1926:

Lewis W. Jennings, jr.	Kenneth C. McIntosh.
John H. Gunnell.	William S. Zane.
Leon N. Wertenbaker.	Richard H. Johnston.
Harry E. Collins.	

Paymaster Charles E. Parsons to be a pay inspector in the Navy, with the rank of commander, from the 8th day of December, 1920.

The following-named boatswains to be chief boatswains in the Navy to rank with but after ensign, from the 5th day of August, 1926:

Thomas O. Kirby.	Lyle Turner.
Frank H. Lemon.	Marshall McN. Angleton.
John O. Strickland.	Victor A. Leonard.
James F. Jeter.	Milo Hazard.
Edgar J. Hayden.	Fred Michaelis.
Albert A. Webb.	Thomas F. McDermott.
Svend J. Skou.	Richard E. Hawes.
Vern W. McGrew.	Kenneth C. Ingraham.
William H. Fiddler, jr.	Henry M. Brun.
James L. Freese.	Harold E. Russell.

Pay Clerk Roderick C. Outten to be a chief pay clerk in the Navy, to rank with but after ensign, from the 5th day of August, 1926.

Pay Clerk William L. A. Strawbridge to be a chief pay clerk in the Navy, to rank with but after ensign, from the 5th day of August, 1926.

CONFIRMATIONS

Executive nominations confirmed by the Senate February 16 (legislative day of February 15), 1927

COLLECTOR OF CUSTOMS

Samuel H. Thompson to be collector of customs, Pittsburgh, Pa.

POSTMASTERS

ARIZONA

Harry G. White, Glendale.

COLORADO

Harry A. Cobbett, Cedaredge.

IOWA

Lloyd M. Poe, Blockton.
Judson P. Holden, Delhi.
Wesley L. Damerow, Dows.
Russell E. Metcalf, Hawarden.
Isaac J. Phillips, Hiteman.
Benjamin H. Todd, Ida Grove.
Charles B. Abbott, Imogene.
Albert L. Clark, Lanesboro.
Karl J. Baessler, Livermore.
Arthur C. Schnurr, New Hampton.
Edgar A. Greenway, Pleasantville.
Silas L. McIntire, Pocahontas.
Hiram E. Morrison, Seymour.
Calvin L. Sipe, Sioux Rapids.
Paul F. Wilharm, Sumner.
Kate R. Weston, Webster City.

KANSAS

Isaac A. Robertson, Alma.
Robert T. Smith, Caldwell.
Jesse M. Foster, Clifton.
Edward R. Dannefer, Cuba.
Albert J. Deane, Fowler.
Melvin F. Gardner, Greenleaf.
John Irving, Jetmore.
Abe K. Stoufer, Liberal.
Alta A. McCutcheon, Little River.
Walter S. Wright, Minneola.
Louis T. Miller, Ness City.
Charles N. Wooddell, Nickerson.
George S. Robb, Salina.
William H. Dittemore, Severance.
Herbert M. Bentley, Sterling.
Minnie E. Brown, Wilsey.

MAINE

John A. Babb, Dixfield.

MICHIGAN

Elmer R. Fate, Bellaire.
Orin T. Mallory, Blissfield.
Charles S. Wilcox, East Lansing.
Frank A. Miller, Gladstone.
Lottie E. Bultman, Hermansville.
Charles B. Curtis, Houghton Lake.
Frank E. Darby, Kalkaska.
Olive F. Gowans, Mackinaw.
Albert Sanders, jr., Stephenson.
Webb W. Walter, Three Rivers.
Charles S. Sisson, White Pigeon.

NEW JERSEY

William G. Z. Critchley, Allendale.
Charles G. Wittreich, Chatham.
Mary H. Jeffrey, Deal.
Marcus Cramer, Gloucester City.
Isaac E. Bowers, Groveville.
Robert E. Bromley, Haddon Heights.
Andreas H. Fechtenburg, Harrington.
Wilbert F. Branin, Medford.
Mina A. Crowell, Minotola.
Edward M. Sutton, Ocean City.
Herman H. Wille, Orange.
Arthur Knowles, Phillipsburg.
James A. Harris, Wildwood.
Jacob Feldman, Woodbine.

NEW MEXICO

Claud E. Herndon, Cloudcroft.
John H. Doyle, jr., Mountainair.

NEW YORK

William J. Leighton, Avon.
Earl J. Franklin, Belfast.
Roy W. Munson, Brasher Falls.
Nicholas Reilly, Brentwood.
Charles H. Brown, Corfu.
Beulah H. Kelly, Lisbon.
Alexander Hickey, St. Bonaventure.
Edwin P. Bouton, Trumansburg.
Guy R. Dodson, Wyoming.

NORTH CAROLINA

Elinor C. Cleaveland, Highlands.
Eugene L. Schuyler, Lowgap.
Frank Colvard, Robbinsville.
Mattie C. Lewellyn, Walnut Cove.

OKLAHOMA

John W. Comer, Chickasha.
Dixon L. Lindsey, Marlow.
James G. Sprouse, McCurtain.
George D. Graves, Norman.
J. Ward McCague, Ralston.
George F. Benge, Tahlequah.
William C. Wallin, Watts.
Orland H. Park, Wright City.

PENNSYLVANIA

Fred Etnier, Huntingdon.

TEXAS

Lucy D. Campbell, Brazoria.
Harry B. Strong, Iredell.
Andrew J. Nelson, Meadow.
William H. Mallory, Port Lavaca.
Harry Reast, Whitesboro.
Charles A. Andr···s, Wolfe City.

VERMONT

William B. Needham, Bridgewater.
Margaret I. Southgate, Concord.
Ralph Gaul, North Bennington.
Ruth S. Sheldon, Pawlet.

VIRGINIA

Vashti V. Compton, Brandy.

WASHINGTON

Fred W. Hoover, Eatonville.
James F. Greer, Pe Ell.
Sydney Relton, Richland.
Arthur A. Bousquet, Wenatchee.

WISCONSIN

Bernard A. McBride, Adams.
Richard J. Hansen, Elcho.

HOUSE OF REPRESENTATIVES

WEDNESDAY, *February 16, 1927*

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Gracious Lord, we praise Thy holy name, for Thou hast not withheld any good thing from us. Thy love is with us at the break of day and remains with us through the dark of night. Surely Thou dost remember us according to the multitude of Thy tender mercies. Thy memories of us explain Thy estimate of man. Whatever the day's task or duties or privileges may be, remove our imperfect views of them. May we get our courage and wisdom from behind the veils of force and sense. Help us to spend nobly, wisely, and well the hours that await us. Amen.

The Journal of the proceedings of yesterday was read and approved.

THE BATTLESHIP MAINE

Mr. LEAVITT. Mr. Speaker, it is the custom each year on the 15th of February to hold memorial exercises in memory of those who perished with the *Maine* on the 15th of February, 1898, in the riding hall near Arlington Cemetery. It is an occasion in which the representatives of the Republic of Cuba join with those of the United States in recalling the meaning of that tragic event and pledging anew the friendship of the two Republics. Mine was the honor of being selected by the United Spanish War Veterans of the District of Columbia to speak on that occasion yesterday. Señor Dr. Don Orestes Ferrera, Cuban ambassador extraordinary, delivered a most eloquent and masterful address in the name of his country. Following